

# Ex Parte Reexamination: A Wolf in Sheep's Clothing

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## I. INTRODUCTION

So often in law and poker, it is not important what you have—it is what other people *think* you have that really matters. Once the opposing party has agreed to settle, it does not matter that your client misplaced a key piece of evidence. Your three sevens are no match for my pair of twos once I have convinced you to fold. There is nothing sinister at play in these situations, of course; settlement is almost always more efficient than taking a case to trial, and the word “poker” itself *means* “to bluff.”<sup>1</sup>

When it comes to property, including patents, the same general principle applies. Property is worth what others are willing to pay—no more, no less. However, this free market notion of valuation cuts both ways. Look no further than the stock market for proof of the point—the smallest rumor of impropriety in a company’s dealings can send the share price tumbling, regardless of the business’s fundamentals. A patent, whose value is derived solely from the limited monopoly rights granted by the government,<sup>2</sup> is even more vulnerable to such rumors;<sup>3</sup> once the validity of those rights comes into question (*regardless* of the reason), the patent is essentially worthless.<sup>4</sup>

As it currently exists, the patent reexamination system provides a simple, cheap, and effective way to inject uncertainty into the legitimacy of nearly any patent, without any accountability on the part of the instigator and without providing the patentee any means of resolving the situation before it erupts into a full-blown investigation.<sup>5</sup> Reexamination is a procedure through which the

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<sup>1</sup> Actually, that was a bluff. The true origin of the word is unknown, but potential sources include an eighteenth-century French game, a German game, and a Hindu word. *See The History of Poker*, POKERPAGES.COM, <http://www.pokerpages.com/pokerinfo/history.htm> (last visited Mar. 10, 2012).

<sup>2</sup> *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 731 (2002) (“[I]nvestors . . . rely on the promise of the law to bring [their] invention[s] forth . . .”).

<sup>3</sup> *See* Raymond A. Mercado, *The Use and Abuse of Patent Reexamination: Sham Petitioning Before the USPTO*, 12 COLUM. SCI. & TECH. L. REV. 92, 98 (2011), available at <http://www.stlr.org/cite.cgi?volume=12&article=2>; *see also id.* at 110–11 (“[T]he uncertainty of reexamination can do great damage to shareholder value, as was recently observed when Tessera Technologies’ stock fell by 39% in a single day due to a preliminary ruling in a reexamination.” (footnote omitted)).

<sup>4</sup> *See id.* at 98 (explaining that a “cloud” on patent title from reexamination “effectively preclud[es] the sale or licensing of the patent—at least for anything more than a fraction of its true value—until the reexamination is resolved”).

<sup>5</sup> *See* David M. O’Dell, David L. McCombs & Julie M. Nickols, Patent Reexamination with Litigation, Strategies and Practice Tips, Presentation at the Sixth Annual Rocky Mountain Intellectual Property & Technology Institute 22–23 (June 5–6, 2008) (unpublished

government may reopen the file on an issued patent to reassess whether it was correctly issued during the initial examination.<sup>6</sup> While quality control of issued patents is certainly a valid concern, the current system invites abuse: *anyone* may request the reexamination of *any* patent, simply upon filing a written request explaining the grounds for the request and paying a nominal fee.<sup>7</sup> The request may even be submitted anonymously.<sup>8</sup> If the request raises any substantial new question of patentability, and it almost always does,<sup>9</sup> all of the rights guaranteed by the issued patent are instantly put in jeopardy. This uncertainty clouds the patent owner's title during the pendency of the reexamination, greatly inhibiting her ability to enjoy the use of her intellectual property, potentially for years.<sup>10</sup>

As the use of reexamination as a strategy to attack patents becomes more widespread, it is becoming a significant problem that threatens the ability of the patent system to serve as an effective means of fostering innovation, creativity, and scientific advancement. Traditionally, the promise of a patent has encouraged pioneering individuals from all walks of life to invest their valuable time and energy in a multitude of projects, from inventing the incandescent electric lamp,<sup>11</sup> to conceptualizing a machine that efficiently forms candy canes,<sup>12</sup> to solving the age-old question of how to drill a square hole.<sup>13</sup> Regardless of the field of the invention, the receipt of an issued patent was an exciting, and potentially lucrative, moment in any inventor's life: she was now

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manuscript), available at [http://www.haynesboone.com/files/Publication/ac30a26d-763a-487e-9e82-c39022d143e9/Presentation/PublicationAttachment/38145ba5-88a5-467c-a46e-cbe33005c049/McCombs\\_Patent%20Reexamination%20with%20Litigation%20-%20Strategies%20and%20Practice%20Tips\\_06-5-08.pdf](http://www.haynesboone.com/files/Publication/ac30a26d-763a-487e-9e82-c39022d143e9/Presentation/PublicationAttachment/38145ba5-88a5-467c-a46e-cbe33005c049/McCombs_Patent%20Reexamination%20with%20Litigation%20-%20Strategies%20and%20Practice%20Tips_06-5-08.pdf) (suggesting strategic use of reexamination “[t]o put a ‘cloud’ on the validity of a patent”).

<sup>6</sup> ROBERT L. HARMON, HARMON ON PATENTS: BLACK-LETTER LAW AND COMMENTARY 578 (2007).

<sup>7</sup> 35 U.S.C. § 302 (2006).

<sup>8</sup> *Id.* § 301 (“At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.”) Further, the person citing the prior art could simply be the lawyer filing the reexamination, which would almost completely isolate the client from any risk of inadvertent disclosure.

<sup>9</sup> See Mercado, *supra* note 3, at 123. Ninety-four percent of requests result in the commencement of reexamination proceedings, and it is likely that many of the request denials are actually the consequence of improper request filings as opposed to decisions on the merits. *Id.* at 123–24 (noting that Congress “changed the law to expand the range of prior art that might raise [a substantial new question of patentability]”).

<sup>10</sup> See Ian Lewis, *Intellectual Property Litigation, Liability Insurance, Issues and Solutions*, in VALUING INTELLECTUAL PROPERTY IN JAPAN, BRITAIN AND THE UNITED STATES 58, 62 (Ruth Taplin ed., 2004) (“[I]nfringement is not the only risk facing the [intellectual property] right owner. A challenge to the validity of the [intellectual property] can be more devastating, and is becoming the favoured tactic of many.”).

<sup>11</sup> See U.S. Patent No. 242,897 (filed Dec. 15, 1880). This patent is, of course, for Thomas Edison's original light bulb. *Id.*

<sup>12</sup> See U.S. Patent No. 2,956,520 (filed May 13, 1957).

<sup>13</sup> See U.S. Patent No. 4,074,778 (filed July 14, 1976).

the proud owner of an intellectual property right—at least for twenty years or so.<sup>14</sup> Now, as practitioners start to incorporate reexamination into their basic litigation strategies, the risks and headaches involved in the patent process may stifle innovation as opposed to promoting it.

Consequently, there is a need to reevaluate the patent reexamination system to establish a fundamental level of fairness in the face of the burdens and risks imposed by the system upon patent owners who acquire their patents in good faith. The recent passage of the Leahy-Smith America Invents Act,<sup>15</sup> which overhauled much of the patent system, took some initial steps towards balancing the system by offering alternative methods to quality control newly issued patents,<sup>16</sup> but it left intact the primary vehicle of abuse: *ex parte* reexamination.

This Note exposes the inequities inherent in the current reexamination statutes, discusses the changes that the America Invents Act will make to these statutes, and suggests the need for additional congressional action, namely through the repeal of *ex parte* reexamination, to finally create the sort of system originally envisioned by Congress when reexamination was first implemented. Part II provides essential background information about the patent<sup>17</sup> system necessary to appreciate Part III, which explains the current reexamination procedures and their inherent shortcomings that foster abuse. Part IV describes currently employed litigation strategies and tactics that exploit the unfairness of reexamination proceedings, emphasizing the injustices faced by patent owners forced to participate in reexaminations. Finally, Part V discusses the pending changes implemented by the America Invents Act to alleviate some of these issues, as well as the Act's primary shortcoming with respect to post-issuance proceedings: failure to repeal *ex parte* reexamination.

## II. PATENTS AND HOW TO ACQUIRE THEM

Because patent reexamination involves reassessing the validity of a full-fledged, issued patent,<sup>18</sup> it is necessary to first establish a basic understanding of what a patent actually is, as well as the intensive process through which an inventor obtains a patent. This Part addresses the rights encompassed by patent ownership and the benefits that a patent owner may enjoy as a result, as well as

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<sup>14</sup> See 35 U.S.C. § 154(a)(2) (2006). As will be discussed in greater detail below, the current term length for a utility patent is generally twenty years from the date of filing, not from the date the patent is issued. *Id.*

<sup>15</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (to be codified in scattered sections of 35 U.S.C.). Most of the new statutory provisions will not take effect until September 2012. See *id.* § 36, 125 Stat. at 341 (to be codified at 35 U.S.C. § 1).

<sup>16</sup> See *infra* Part V.

<sup>17</sup> This Note's references to "patents" generally refer to utility patents, as opposed to design and plant patents, except where otherwise stated.

<sup>18</sup> DAVID L. FOX, U.S. PATENT OPINIONS AND EVALUATIONS 527 (2010).

some of the limits to these rights and benefits. Further, it explains the statutory requirements an inventor must meet to qualify for patent protection,<sup>19</sup> including some of the policies behind each. Finally, it describes the patent prosecution<sup>20</sup> process in some detail, as it is vital to appreciate the rigors of the initial process to fully understand the impact of a subsequent reexamination.

### A. Rights, Benefits, and Limitations of Patent Ownership

#### 1. What Is a Patent?

While property ownership is often analogized to the ownership of an entire “bundle of sticks,”<sup>21</sup> the patent owner may lay claim to only one stick: the right to exclude others from the invention.<sup>22</sup> This right is limited to “exclud[ing] others from making, using, offering for sale or selling [the invention] throughout the United States, or importing [the invention] into the United States.”<sup>23</sup> Often, the first thought that comes to mind in the face of this language is “monopoly,” and patents are often described as such,<sup>24</sup> but this is an imprecise characterization of a patent owner’s situation. A “monopoly” implies not only exclusivity of control, but also a lack of market substitutes,<sup>25</sup> and the

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<sup>19</sup> The textual sections of this Note refer to the law currently in force at the time of this writing, and any significant changes that will result when the America Invents Act takes effect are noted as appropriate.

<sup>20</sup> “Patent prosecution” is the nomenclature used to describe the administrative proceedings of the patent application process. HARMON, *supra* note 6, at 35–36.

<sup>21</sup> See JOHN G. SPRANKLING, UNDERSTANDING PROPERTY LAW 4–7 (2d ed. 2007).

<sup>22</sup> 35 U.S.C. § 154(a)(1) (2006); *Innova/Pure Water, Inc. v. Safari Water Filtration Sys., Inc.*, 381 F.3d 1111, 1115 (Fed. Cir. 2004) (“It is a bedrock principle of patent law that the claims of a patent define the invention to which the patentee is entitled the right to exclude.”).

<sup>23</sup> 35 U.S.C. § 154(a)(1). Notably, however, the power to exclude others from using one’s invention does not ensure that a patent owner has a right to actually *use* his invention. See ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, PATENT LAW AND POLICY: CASES AND MATERIALS 49 (4th ed. 2007). For instance, if the use of an invention would violate a state law, the patent owner has no right to use it. *Id.* Also, in a “blocking patent” situation, where two inventors own two patents, *A* and *B*, but the use of *A* is impossible, or perhaps just inefficient, without the use *B*, and vice versa, the owner of *A* would be barred from using *A* to the extent that it would infringe on the rights of the owner of *B*. See *id.* Blocking patents can result where a subsequent inventor obtains process patent for a new use of another’s patented invention. See 35 U.S.C. § 100(b) (“The term ‘process’ . . . includes a new use of a known process, machine, manufacture, composition of matter, or material.”); *Rohm & Haas Co. v. Roberts Chem., Inc.*, 245 F.2d 693, 697–700 (4th Cir. 1957) (allowing a patent for a new use of a chemical as a fungicide despite an earlier patent on the compound itself). In such situations, the patent owners may cross-license their technologies, so long as it does not create an antitrust concern. See *Standard Oil Co. v. United States*, 283 U.S. 163, 171–72 (1931).

<sup>24</sup> See, e.g., HARMON, *supra* note 6, at 7–8.

<sup>25</sup> MERGES & DUFFY, *supra* note 23, at 49.

grant of a patent makes no guarantee that another inventor will, without infringing upon the patentee's rights, accomplish the same goal as that of the patented invention.<sup>26</sup> Rather, the policies behind the patent system permit, and even encourage, inventors to attempt to "design around" the patents of other inventors, in favor of enriching the public's collective knowledge at the expense of an individual patentee's potential economic benefit.<sup>27</sup> This approach allows one patent applicant to build on the teachings of earlier patentees, fulfilling the constitutional purpose "To promote the Progress of Science and useful Arts."<sup>28</sup>

To this point, the term "invention" has been mentioned several times, without any explanation as to what an invention actually *is*. A patented invention is not a specific physical object or process, but rather the underlying idea or concept behind an object or process without respect to a specific embodiment.<sup>29</sup> Further, even a sufficiently developed idea, like a method for doing business, is potentially patentable if properly described.<sup>30</sup> Given the intangible nature of an invention, the rights and protections afforded to an inventor are therefore defined not by any particular physical embodiment of the invention, but rather by how the invention is explained and described within the patent document itself.<sup>31</sup> Consequently, the scope of a patentee's rights is dependent upon the "claims" within the patent, and an invention *is* what the claims describe the invention to be.<sup>32</sup>

Significantly, these invention-defining claims are drafted by the inventor (or her attorney), subject to the approval of the U.S. Patent and Trademark Office

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<sup>26</sup> The Supreme Court has explained that the Constitution's Intellectual Property Clause itself "reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition," ensuring that the scope of the exclusivity Congress may grant in any particular patent does not extend beyond the protectable aspects of the specific invention. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).

<sup>27</sup> HARMON, *supra* note 6, at 7.

<sup>28</sup> See U.S. CONST. art. I, § 8, cl. 8.

<sup>29</sup> See EDWARD F. O'CONNOR, *INTELLECTUAL PROPERTY LAW AND LITIGATION: PRACTICAL AND IRREVERENT INSIGHTS* 45–47 (2009).

<sup>30</sup> *Bilski v. Kappos*, 130 S. Ct. 3218, 3231 (2010) ("[T]he Court . . . declines to impose limitations on the Patent Act that are inconsistent with the Act's text."). The propriety of business method patents is controversial. See generally *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc) (totaling over sixty pages of discussion on the issue spread across a majority opinion, a concurrence, and three separate dissents), *aff'd*, 130 S. Ct. 3218, 3231. The America Invents Act, while implicitly acknowledging their legitimacy by addressing them through legislation, will nonetheless make business method patents easier to challenge than other types of patents. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284, 329–31 (2011) (to be codified at 35 U.S.C. § 321).

<sup>31</sup> MERGES & DUFFY, *supra* note 23, at 25–26.

<sup>32</sup> *Id.* at 26; see also *Ariad Pharm., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1347 (Fed. Cir. 2010) ("Claims define the subject matter that . . . has been found to meet the statutory requirements for a patent. . . . Their principle function . . . is to provide notice of the boundaries of the right to exclude and to define limits . . .").

(PTO) examiner charged with task of examining the patent application.<sup>33</sup> So, the word choice used to draft the claims for an invention are of fundamental importance in both establishing what the invention is and defining the extent of the patentee's right to exclude. To illustrate, let us assume that I just invented the snow shovel, and prior to my invention no one had ever conceived of the idea. Two potential claims I could draft are: (1) a device for clearing snow *consisting of*<sup>34</sup> a three-foot-long wooden pole, a plastic handle, and a curved piece of metal, wherein the handle is bolted to a first end of the pole, and the curved piece of metal is bolted to a second end of the pole; or (2) a device for transporting material comprising<sup>35</sup> an elongate body attached to a material-contact surface, wherein the elongate body is used to facilitate transport of material that contacts the material-contact surface.

A quick glance at the two iterations shows how much more narrowly the first claim defines my invention than the second. Claim one could be easily circumvented by a competitor by making any change with respect to the materials used for construction, the means used to tether the various components together, or even the length of the wooden pole. Claim two, however, expresses the same general idea of a shovel, but does so using much more generalized language, thereby making it significantly more difficult to design around (keeping in mind, of course, that this example assumes there is no "prior art" suggesting that what I am claiming has already been invented).<sup>36</sup>

In both scenarios, the claims in the patent may be perfectly valid; the difference lies in the scope of the protection and, consequently, the economic value of the patent to the patentee. While the patentee owning claim two will strike it rich licensing her patent to manufacturers who wish to produce shovels, the owner of the patent relying upon claim one is unlikely to enjoy any financial benefit; instead of negotiating for a license, manufacturers will, instead, say, "Thanks for the idea!" and proceed to manufacture shovels with 3.1-foot-long poles without paying the patentee a cent. Our unhappy patent owner would have no recourse because the patent hanging on her wall grants no right to exclude others from producing shovels of this length.

In reality, however, a patent applicant need not necessarily choose between these two claims. Rather, the inventor may list many claims, often twenty or more, each with varying degrees of specificity and scope.<sup>37</sup> Each claim stands on its own, meaning that infringement of any one claim, regardless of the

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<sup>33</sup> This is an extremely involved process. *See infra* Part II.C.

<sup>34</sup> "Consisting of" is a term of art indicating that the elements described in the claim represent a closed list, in that infringement of the claim occurs only if the exact elements, no more or no less, are present in the allegedly infringing item. HARMON, *supra* note 6, at 102.

<sup>35</sup> "Comprising" is a term of art indicating that the claim is infringed so long as all of the elements are present, even if the allegedly infringing item contains additional elements not included in the claim. *See id.*

<sup>36</sup> *See infra* note 65.

<sup>37</sup> *See* 35 U.S.C. § 112 (2006); HARMON, *supra* note 6, at 48–49.

others, entitles the patentee to a remedy,<sup>38</sup> and the determination that any particular claim is invalid does not affect the inherent enforceability of the other claims.<sup>39</sup> Consequently, it is standard for an issued patent to include a long list of claims, ordered from most broad to most narrow in scope, where the drafter's intent is for the narrow claims to serve as "back up" for the potentiality that a broad claim is held invalid.<sup>40</sup> It is also standard practice for the drafter of the application to push the envelope to attempt to get the broadest claim possible for her client, knowing that even if a court ultimately holds that a particularly broad claim is invalid, the more narrow claims will still be untouched and create exclusive rights, even if to a lesser extent.

<sup>38</sup> See *MERGES & DUFFY*, *supra* note 23, at 26.

<sup>39</sup> See *HARMON*, *supra* note 6, at 48. A patent generally contains both "independent" and "dependent" claims, where the dependent claims incorporate by reference everything in another claim, and then add additional elements that slightly narrow the scope. *Id.* at 89–90.

<sup>40</sup> See *MERGES & DUFFY*, *supra* note 23, at 31. For example, see U.S. Patent No. 7,485,051 B2 (filed Oct. 30, 2006). This patent is for a golf putter, and claims one, seven, twelve, thirteen, and fourteen are reproduced below. Notice how all of the claims are fairly amorphous, and how the subsequent claims add elements in small increments, thereby gradually narrowing the scope of what that claim covers:

1. A golf putter head comprising: a body with a ball-striking face including a first curved segment with a first radius of curvature and a second curved segment with a second radius of curvature, the first and second curved segments defining a curved surface extending from a bottom surface of the body, [further describing "a body"] wherein the ball-striking face further comprises a third curved segment with a third radius of curvature, the first, second, and third curved segments defining a curved surface extending from the bottom surface of the body to the top surface of the body, [further describing "the ball-striking face" in relation to "the body"].

....

7. A golf putter head according to claim 1, wherein the body further comprises a rear portion extending from the ball-striking face to a rear end of the putter head opposite the ball-striking face, the rear portion having greater mass closer to the rear end of the putter head than the ball-striking face.

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12. The golf putter head according to claim 7, wherein the ball-striking face has a width greater than the rear end.

13. The golf putter head according to claim 12, wherein the rear portion tapers from the ball-striking face to a smaller dimension at the rear end.

14. The golf putter head according to claim 13, wherein the rear portion comprises two shoulders extending from the ball-striking face and forming two sides of the rear portion.

U.S. Patent No. 7,485, 051 B2 cols.11–12 (filed Oct. 30, 2006). This is a typical example of the drafter striving for a broad claim but including contingencies in case the broad claim is deemed invalid to prevent loss of all patent protection. A narrow claim is better than no claim at all, assuming it still captures the economically desirable feature.



## 2. *Why Do We Have Patents?*

The Intellectual Property Clause of the Constitution confers upon Congress the power “To promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries.”<sup>41</sup> Despite the brevity of the statement, this passage has significant and far-reaching impacts upon the basic tenants of the American patent system.<sup>42</sup> First, it mandates a policy goal: to “promote the Progress of . . . useful Arts,” or in modern language, to promote technological innovation.<sup>43</sup> This is a wholly utilitarian aim.<sup>44</sup> Second, it suggests a quid pro quo between the inventor and the government<sup>45</sup>: in exchange for the benefit the public will ultimately receive through the disclosure of the invention, the inventor receives the exclusive right to exploit it.<sup>46</sup> Third, by qualifying the exclusivity right to “limited Times,” the Constitution expressly requires that patent rights eventually expire, which further ensures that the knowledge contained within their disclosures will ultimately reach the public domain.<sup>47</sup>

Even without a constitutional mandate, governmental establishment of a patent system simply makes sense, because without the incentive of a patent, research in many fields would not be economically feasible.<sup>48</sup> For instance, consider the pharmaceutical industry, where absent sufficient power to prevent free-riding by generic manufacturers, the discovering company may not be able to recoup its initial investment.<sup>49</sup> Patent protection is especially important where

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<sup>41</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>42</sup> Congress wasted little time in taking advantage of this power: the First Congress enacted the Patent Act of 1790, the first patent act, during its second session. *See Graham v. John Deere Co.*, 383 U.S. 1, 6 (1966). Today, patent law is governed by the 1952 Patent Act, as modified by the 2011 America Invents Act. *See generally* Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

<sup>43</sup> HARMON, *supra* note 6, at 6–7 (quoting U.S. CONST. art. I, § 8, cl. 8).

<sup>44</sup> *Id.* at 7–8.

<sup>45</sup> *See In re Alonso*, 545 F.3d 1015, 1019 (Fed. Cir. 2008) (noting the specification requirement of 35 U.S.C. § 112). In 1999, Congress changed the deal to some extent. In an effort to harmonize the U.S. system with the international standard, it passed legislation to require publication of most patent *applications* eighteen months after filing. *See* 35 U.S.C. § 122(b) (2006); MERGES & DUFFY, *supra* note 23, at 63. Consequently, patent applicants must often reveal their inventions to the public without any guarantees of patent protection in return. *Id.* If the application matures into a patent, however, the patentee is, in some cases, entitled to a remedy for pre-grant, post-publication infringement. *See* 35 U.S.C. § 154(d); MERGES & DUFFY, *supra* note 23, at 64. Notably, an applicant may avoid the risks involved with application publication by certifying that she will not pursue patent rights internationally. *See* 35 U.S.C. § 122(b)(2)(B)(i).

<sup>46</sup> *See* HARMON, *supra* note 6, at 42–43 (“The ultimate goal of the patent system is to bring new designs and technologies into the public domain through disclosure.”).

<sup>47</sup> *Id.* at 7 (quoting U.S. CONST. art. I, § 8, cl. 8).

<sup>48</sup> *Id.* at 7–8.

<sup>49</sup> *See* Patricia M. Danzon, *The Pharmaceutical Industry*, in 3 ENCYCLOPEDIA OF LAW AND ECONOMICS: THE REGULATION OF CONTRACTS 1055, 1066 (Boudewijn Bouckaert &

reverse engineering would quickly expose the invention details, because in such situations, alternative means of protecting legal ideas such as trade secret law are rendered useless.<sup>50</sup>

### 3. *How Long Does Patent Protection Last?*

A patent's term extends twenty years from the date the patent application is filed,<sup>51</sup> subject to the timely payment of "maintenance fees" at intervals of 3.5, 7.5, and 11.5 years after the initial grant.<sup>52</sup> The price of the maintenance fee increases for each of three interval periods, currently costing \$1130, \$2850, and \$4730 respectively, are subject to additional surcharges for "non-timely payment."<sup>53</sup> Upon term completion (or failure to pay maintenance fees), the

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Gerrit De Geest eds., 2000) ("The purpose of patent protection is to grant the originator firm a period [of] market exclusivity that provides an opportunity to charge a price above marginal cost in order to recover the investment in [research and development]."); *id.* at 1055 (stressing the "critical importance of patent protection" for the pharmaceutical industry, given its "unusually high rate of [research and development]").

<sup>50</sup> A "trade secret" is a piece of "information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (1995). A trade secret loses protection if it is discovered by another through proper means (i.e., it was not misappropriated from the owner of the trade secret) or its details are independently discovered. *See id.* § 43. So, inventors must make a choice: share the idea with the public in exchange for a patent of limited duration without fear of others using it, or, at great expense, attempt to keep the idea secret from the public as long as possible, always running the risk that the idea will be exposed or reinvented.

<sup>51</sup> 35 U.S.C. § 154(a)(2) (2006). This is a slight oversimplification. In some circumstances where the PTO has caused delays in the prosecution process, the term may be "adjusted" to account for it, *id.* § 154(b), and the term may be "extended," at least in select situations such as drugs product inventions, to account for time that the product is undergoing government regulatory testing, *id.* § 156. Additionally, the twenty-years-from-filing term length reflects a recent change to the Patent Act, and, as a result, patents in force or based upon applications filed before June 8, 1995, are subject to a special rule granting them a term that is the longer of twenty years from the date of filing or seventeen years from the date of issuance. *Id.* § 154(c); *see* MERGES & DUFFY, *supra* note 23, at 59 n.2, 60. Finally, the term length for a design patent is only fourteen years from the date of the grant. 35 U.S.C. § 173.

<sup>52</sup> 37 C.F.R. § 1.362(d) (2011).

<sup>53</sup> *Fee Schedule*, U.S. PAT. & TRADEMARK OFF., <http://www.uspto.gov/web/offices/ac/qs/ope/fee092611.htm#maintain> (last revised Mar. 19, 2012). Note that fees are halved if the patent owner qualifies as a "small entity." *Id.*; *see also* 37 C.F.R. § 1.27(a) (setting the qualifications for small entity status). These fees reflect an increase that took effect upon the passage of the America Invents Act—one of the few portions of the Act to have immediate effect. *See* Eldora L. Ellison & Jeremiah B. Frueauf, *America Invents: Immediate Changes to Patent Law Start Today*, IPWATCHDOG (Sept. 16, 2011, 5:08 PM), <http://www.ipwatchdog.com/2011/09/16/america-invents-immediate-changes-to-patent-law-start-today/id=19232/>. The Act also creates "a new category of patent applicants termed 'micro entities,'" and those eligible will enjoy a 75% discount off the normal rate. *Id.*

patent enters the public domain.<sup>54</sup> Given that the pace of technological advancement may render a patent obsolete before the fulfillment of its potential term, it is no surprise that many patents are allowed to lapse through non-payment of fees.<sup>55</sup> Finally, it will be helpful to keep in mind that nothing in the Patent Act or the regulations provides a mechanism to toll the assessment of fees during the pendency of reexamination proceedings.<sup>56</sup>

### B. Statutory Requirements for Patent Protection

Before looking to the patent prosecution process itself, it will be useful to consider the statutory requirements that an application must meet to mature into a patent. As a threshold issue, the Patent Act defines four specific categories of inventions: processes, machines, manufactures, or compositions of matter, as well as “any new and useful improvement thereof.”<sup>57</sup> Assuming this minimal requirement is met,<sup>58</sup> the inventor must also demonstrate utility,<sup>59</sup> but the real substantive hurdles to patentability, in addition to satisfying a plethora of statutory and regulatory formalities,<sup>60</sup> are novelty and nonobviousness. Each

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<sup>54</sup> See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 152 (1989) (“It is self-evident that on the expiration of a patent the monopoly created by it ceases to exist, and the right to make the thing formerly covered by the patent becomes public property.” (quoting *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896))).

<sup>55</sup> See *Earned Revenue*, U.S. PAT. & TRADEMARK OFF., [http://www.uspto.gov/about/stratplan/ar/2011/mda\\_06\\_01\\_03.html](http://www.uspto.gov/about/stratplan/ar/2011/mda_06_01_03.html) (last modified Jan. 3, 2012) (suggesting that from 2007 to 2010, roughly 30% of the patents due for their 7.5 year maintenance fees and roughly 50% of the patents due for their 11.5 year maintenance fees were allowed to lapse by their owners).

<sup>56</sup> See *Mercado*, *supra* note 3, at 145–46 (noting that the courts have “left for another day the question of whether patent holders have any recourse for the harms they suffer when current safeguards against unwarranted reexaminations fail”).

<sup>57</sup> 35 U.S.C. § 101 (2006).

<sup>58</sup> Section 101 is intended to allow for broad patent protection. See *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010). In *Bilski*, the Court recently reaffirmed that the three exceptions to patent eligibility are “‘laws of nature, physical phenomena, and abstract ideas.’” *Id.* (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980)).

<sup>59</sup> This is essentially a requirement that the invention be useful, and thus is encompassed by 35 U.S.C. § 101. Utility is rarely an issue, considering that to be “useful” an invention need only have a practical application and be functional. *HARMON*, *supra* note 6, at 53–54. Nonetheless, it is still a required element of patentability. See *Brenner v. Manson*, 383 U.S. 519, 529 (1966) (“Suffice it to say that the concept of utility has maintained a central place in all of our patent legislation . . .”).

<sup>60</sup> For instance, each of the actual inventors, whether or not they are involved in the application, must be named and must sign the application, see 37 C.F.R. §§ 1.41–48 (2011), and the application document must meet specific drafting requirements, see *id.* § 1.51. Also, the invention must be “fully and particularly described” within the patent application. See *Bilski*, 130 S. Ct. at 3225. This requirement has three distinct subparts: “a written description of the invention”; an “enable[ment]” component explaining how to “mak[e] and us[e]” the invention; and a “best mode” component disclosing the optimal use of the invention, to the best of the inventor’s knowledge. See 35 U.S.C. § 112; *Festo Corp. v. Shoketsu Kinzoku*

claim within a patent application is independent of the others, so the failure of one claim does not necessarily implicate the others.<sup>61</sup>

### 1. Novelty

To be patentable, an invention must be novel.<sup>62</sup> Without delving too deeply into the specifics given the impending substantial changes to the requirement from the America Invents Act,<sup>63</sup> the novelty requirement is satisfied for a claim when, upon comparison to the body of “prior art”<sup>64</sup> that existed prior to the application, no single piece of prior art discloses *every* aspect of a given claim.<sup>65</sup> If a single piece of prior art is available that does disclose each and

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Kogyo Kabushiki Co., 535 U.S. 722, 736 (2002); MERGES & DUFFY, *supra* note 23, at 25–26. One of the more celebrated features of the America Invents Act is that a deficiency in the best mode requirement will no longer put the validity of a patent in jeopardy, but best mode is still technically required. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 15, 125 Stat. 284, 328 (2011) (to be codified at 35 U.S.C. § 119); Zahra Hayat, Matthew I. Kreeger & Eric S. Walters, *How the America Invents Act Will Change Patent Litigation*, THOMSON REUTERS NEWS & INSIGHT (Nov. 18, 2011), [http://newsandinsight.thomsonreuters.com/Legal/Insight/2011/11\\_-\\_November/How\\_the\\_America\\_Invents\\_Act\\_will\\_change\\_patent\\_litigation/](http://newsandinsight.thomsonreuters.com/Legal/Insight/2011/11_-_November/How_the_America_Invents_Act_will_change_patent_litigation/).

<sup>61</sup> See *supra* note 37–40 and accompanying text.

<sup>62</sup> See 35 U.S.C. § 102.

<sup>63</sup> Arguably, the most significant impact of the America Invents Act is that it substantially changes the novelty provisions by favoring the inventor who is “first to file” an application with the PTO as opposed to the “first to invent.” See Leahy-Smith America Invents Act § 3, 125 Stat. at 285–87 (to be codified at 35 U.S.C. §§ 100, 102); David Goldman, *Patent Reform Is Finally on Its Way*, CNNMONEY.COM (June 24, 2011, 11:05 AM), [http://money.cnn.com/2011/06/24/technology/patent\\_reform\\_bill/index.htm](http://money.cnn.com/2011/06/24/technology/patent_reform_bill/index.htm). The switch to the “first to file” system will bring the United States into conformity with the rest of the world, and it will eliminate the need for “interference” proceedings to resolve disputes between competing inventors over who technically invented first. See MERGES & DUFFY, *supra* note 23, at 50–51. However, the change is not without controversy, as some fear that it will negatively affect independent inventors who will now have “to race to the patent office to beat mega-corporations” once their ideas are exposed. See Goldman, *supra*. Others question the constitutionality of the change, arguing that the Constitution authorizes granting rights only to first “Inventors,” to the exclusion even of second inventors who independently invent the same invention (even though second inventors may sometimes be awarded patents under the current system). See U.S. CONST. art. I, § 8, cl. 8; Dennis Crouch & Jason Rantanen, *First-to-File and the Constitutional Argument*, PATENTLY-O: NATION’S LEADING PATENT L. BLOG (June 12, 2011, 11:12 AM), <http://www.patentlyo.com/patent/2011/06/first-to-file-and-the-constitutional-argument.html>.

<sup>64</sup> While not specifically defined in the Patent Act, “prior art,” in general terms, refers to the body of publicly available knowledge that existed prior to the filing date of the inventor’s patent application. HARMON, *supra* note 6, at 34. It includes almost any published material, including published domestic and foreign patents, and patent applications. See 35 U.S.C. § 102.

<sup>65</sup> FOX, *supra* note 18, at 255. If the prior art technically fails to explicitly disclose a particular element in the claimed invention, but the missing element is inherently a necessary aspect of the prior art, then the claim still lacks novelty. *Id.* at 255–56.

every aspect of a claim, that piece of prior art is said to “anticipate” the claim and render the claim unpatentable.<sup>66</sup>

## 2. *Nonobviousness*

While the novelty requirement is fairly straightforward—an invention is not eligible for a patent if its innovations have been previously described—the nonobviousness requirement is far more complex. An invention lacks patentability for obviousness where “the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art.”<sup>67</sup> Essentially, nonobviousness analysis, like novelty, involves a comparison to the universe of prior art, but with a twist: the disclosures of two (or more) pieces of prior art can be combined together to show that when viewed in concert, the applicant’s invention is rendered obvious, and therefore not patentable.<sup>68</sup> For example, if an applicant seeks to patent an invention for a new type of lock never before used for a safe, but the prior art contains both patent *A*, which describes a generic lock for a safe, and also patent *B*, which describes a lock mechanism identical to the applicant’s design but discloses its use only in the context of a door lock, the applicant’s invention is likely unpatentable because patent *A*, when viewed in light of patent *B*, renders the invention obvious.

Before the Supreme Court’s 2007 decision in *KSR v. Teleflex*,<sup>69</sup> the standard for nonobviousness was fairly difficult to meet, as courts used the “teaching, suggestion, or motivation” test (TSM test), which, in short, allowed patents to be combined to indicate obviousness only when “‘some motivation or suggestion to combine the prior art teachings’ [could] be found in the prior art, the nature of the problem, or the knowledge of a person having ordinary skill in the art.”<sup>70</sup> The Court deemed this test to be too restrictive: prior art often lacks the sort of discussion that would be required to prove obviousness in this way, even when a combination was, in fact, obvious.<sup>71</sup> Consequently, the Court rejected the TSM test as the *sole* standard for nonobviousness (TSM is still one valid test), offering six additional tests, any one of which could render a claim

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<sup>66</sup> *Id.*

<sup>67</sup> 35 U.S.C. § 103(a). The America Invents Act version is essentially the same, but it is modified to reflect the “first to file” system by changing “obvious at the time the invention was made” to “obvious before the effective filing date of the claimed invention.” See Leahy-Smith America Invents Act § 3(c), 125 Stat. at 287 (to be codified at 35 U.S.C. § 103).

<sup>68</sup> FOX, *supra* note 18, at 605.

<sup>69</sup> *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007).

<sup>70</sup> *Id.* at 407 (quoting *Al-Site Corp. v. VSI Int’l, Inc.*, 174 F.3d 1308, 1323–24 (Fed. Cir. 1999)).

<sup>71</sup> *Id.* at 418–19.

obvious.<sup>72</sup> In sum, the practical effect of this ruling is that obviousness is now much easier to establish, or at least much more vulnerable to reasonable argument in a dispute.

### C. Patent Prosecution Process

Earning the presumption of validity associated with an issued patent is not so easy as registering with the appropriate agency.<sup>73</sup> Rather, the patent applicant must prepare a detailed application to submit to the PTO to initiate an examination process and then participate in a series of negotiations<sup>74</sup> over the content of the application with an examiner who is knowledgeable in the particular field of the technology.<sup>75</sup> While statutes and regulations contain the actual legal rules to be enforced by courts, the prosecution process is dictated largely by the content of the *Manual of Patent Examining Procedure* (MPEP), which is the comprehensive reference guide to patent examination issued by the PTO.<sup>76</sup> At the end of the day, if all goes well, the patent applicant becomes the owner of an issued patent within an average of two to three years from the filing

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<sup>72</sup> See *id.* at 416–19. Following *KSR*, the PTO issued guidelines summarizing the tests as follows: (1) “Combining prior art elements according to known methods to yield predictable results”; (2) “Simple substitution of one known element for another to obtain predictable results”; (3) “Use of known technique to improve similar devices (methods, or products) in the same way”; (4) “Applying a known technique to a known device (method, or product) ready for improvement to yield predictable results”; (5) “‘Obvious to try’—choosing from a finite number of identified, predictable solutions, with a reasonable expectation of success”; (6) “Known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations are predictable to one of ordinary skill in the art”; and (7) “Some teaching, suggestion, or motivation in the prior art that would have led one of ordinary skill to modify the prior art reference or to combine prior art reference teachings to arrive at the claimed invention” (standard TSM test). See U.S. PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, MANUAL OF PATENT EXAMINATION PROCEDURE § 2141 (8th ed. rev. July 8, 2010) [hereinafter MPEP].

<sup>73</sup> As a basis of comparison, consider copyrights, where protection is inherently available for any “original works of authorship fixed in any tangible medium of expression,” 17 U.S.C. § 102 (2006), and while registration is not required to preserve the author’s rights, see SPRANKLING, *supra* note 21, at 57, registration does establish the prima facie validity in the copyright of the work, *id.* Copyright registration costs as little as \$35. See *Copyright Fees*, U.S. COPYRIGHT OFF., <http://www.copyright.gov/docs/fees.html> (last revised Dec. 1, 2011).

<sup>74</sup> These negotiations can continue *ad infinitum*, so long as the applicant is willing to pay the fees for continued examination following each final rejection issued by the examiner. 35 U.S.C. § 132(b).

<sup>75</sup> See MERGES & DUFFY, *supra* note 23, at 50–51.

<sup>76</sup> See HARMON, *supra* note 6, at 535–36. The MPEP is known as “the ‘bible’ of patent practice.” MERGES & DUFFY, *supra* note 23, at 14.

of the initial application.<sup>77</sup> Or, the applicant may emerge with nothing more than a lighter wallet.<sup>78</sup>

### 1. Applicant–Examiner Relationship

The applicant and the examiner are not allies who share a common goal of establishing for the applicant a set of broad claims to enforce against potential infringers. Rather, they are adversaries in the truest sense of the word: the applicant’s goal is to obtain the broadest claims possible under the law in light of the prior art, while the examiner’s goal is to reject the claims for novelty, nonobviousness, or any other valid reason, or to compel the applicant to narrow her claims as much as possible in light of the prior art.<sup>79</sup> True, it is the examiner’s duty to approve an application containing a proper claim, but only to the extent that it is legitimate.<sup>80</sup> After all, as the government’s agent, the examiner is looking to secure the applicant’s invention for the public’s benefit at the lowest possible cost (by minimizing any grant of exclusive rights).

### 2. Patent Searches

Patent searches are conducted both by the applicant (generally prior to preparing the application to get a feel for what already exists and needs to be circumvented during claim drafting)<sup>81</sup> and the examiner (to gather and analyze the existing prior art and evaluate the impact that it has on the scope of the

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<sup>77</sup> MERGES & DUFFY, *supra* note 23, at 50. The pendency for processing an application can potentially, stretch far beyond this timeframe. *See id.*

<sup>78</sup> The current base cost of filing a patent application is \$380. *See Fee Schedule, supra* note 53. However, the PTO tacks on a plethora of additional fees for many potential “extras” concerning the content of the application, as well as for time extensions. *See* 37 C.F.R. § 1.16 (2011). Also, the applicant will likely have significant attorneys’ fees for preparation of the application documents and prosecution correspondence. *See* Gene Quinn, *The Cost of Obtaining a Patent in the U.S.*, IPWATCHDOG.COM (Jan. 28, 2011, 1:14 PM), <http://www.ipwatchdog.com/2011/01/28/the-cost-of-obtaining-a-patent/id=14668/> (suggesting attorney fees of a minimum of \$5000 for “extremely simple” inventions (giving examples like coat hangers and paper clips) to well over \$15,000 for more complex inventions).

<sup>79</sup> *See* Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1427 (Fed. Cir. 1988); *Quality Patents: Claiming What Counts*, WIPO MAG., Jan.–Feb. 2006, at 17, available at [http://www.wipo.int/wipo\\_magazine/en/pdf/2006/wipo\\_pub\\_121\\_2006\\_01-02.pdf](http://www.wipo.int/wipo_magazine/en/pdf/2006/wipo_pub_121_2006_01-02.pdf) (“Most patent agents would prefer to draft claims that are as broad as possible to cover all aspects of the invention . . . . On the other hand, a patent examiner . . . will seek to narrow the claims to the actual invention.”).

<sup>80</sup> *See* 35 U.S.C. § 131 (2006) (“[E]xamination [shall] be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Director shall issue a patent therefor.”).

<sup>81</sup> HERBERT F. SCHWARTZ & ROBERT J. GOLDMAN, *PATENT LAW AND PRACTICE* 13 (6th ed. 2008).

drafted claims in terms of novelty and obviousness issues).<sup>82</sup> The patent search process has changed and simplified drastically over the last fifteen to twenty-five years. Before the popularization of the Internet, to conduct such a search one was required to travel to a site that contained physical copies of all the issued patents (millions), and then manually peruse the patents using the PTO's classification system, or in the alternative hire a professional to conduct the search.<sup>83</sup> Today, many resources exist on the Internet to facilitate rapid, expansive searches using search engines.<sup>84</sup>

### 3. *Duty to Disclose and Inequitable Conduct*

Throughout the patent prosecution process, the applicant and her agents are subject to a continued "[d]uty to disclose information material to patentability."<sup>85</sup> Under this requirement, "[e]ach individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office."<sup>86</sup> The duty obliges the applicant to reveal all known, material prior art, and to reveal any known information inconsistent with the applicant's position.<sup>87</sup> The duty is ongoing throughout the process; it does not simply cover knowledge obtained pre-filing.<sup>88</sup>

The violation of any aspect of the duty of disclosure potentially constitutes "inequitable conduct," which carries serious repercussions for a patent owner: her entire patent may become unenforceable.<sup>89</sup> Further, courts do not hesitate in pulling the trigger,<sup>90</sup> which reinforces an applicant's incentive to fully comply with the duty of candor.<sup>91</sup>

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<sup>82</sup> *Id.* at 19–20.

<sup>83</sup> See DAVID PRESSMAN, PATENT IT YOURSELF: YOUR STEP-BY-STEP GUIDE TO FILING AT THE U.S. PATENT OFFICE 90–92 (Stephen Elias ed., 1985).

<sup>84</sup> For example, the PTO itself contains a link to a search engine on its home page, <http://www.uspto.gov>, and even Google offers its own specialized patent search site, <http://www.google.com/patents>. Some consider Google's search engine to be the best method for online searches. See DAVID PRESSMAN, PATENT IT YOURSELF: YOUR STEP-BY-STEP GUIDE TO FILING AT THE U.S. PATENT OFFICE 160–61 (Richard Stim ed., 14th ed. 2009) ("Google Patents . . . provides the most complete, most accurate, and fastest way to make online searches. Simply enter the keywords and all possible variations you can think of and it will search the entire U.S. patent database and return all relevant patents.").

<sup>85</sup> 37 C.F.R. § 1.56 (2011).

<sup>86</sup> *Id.*

<sup>87</sup> *Id.*

<sup>88</sup> *Id.*

<sup>89</sup> HARMON, *supra* note 6, at 821. Notably, the patent is not technically "invalid," *id.*, but this is of little comfort to the affected patentee.

<sup>90</sup> See, e.g., *Monsanto Co. v. Bayer Bioscience N.V.*, 514 F.3d 1229, 1236 (Fed. Cir. 2008) (finding inequitable conduct where handwritten notes taken by patentee's employee at a conference were not disclosed to the examiner, thus constituting a failure to disclose information inconsistent with responses to the examiner); *Nilssen v. Osram Sylvania, Inc.*, 504 F.3d 1223, 1233 (Fed. Cir. 2007) ("[A]ll of the patents in suit are unenforceable due to inequitable conduct in improperly claiming small entity status."); *McKesson Info. Solutions*,



### III. CURRENT PATENT REEXAMINATION PROCEDURES AND THEIR SHORTCOMINGS

Upon successfully acquiring an issued patent by proving the eligibility of an invention in the face of the adversarial prosecution process, complete with its strict duty to disclose to the examiner that which he may find useful, a patentee may expect to be able to relax and begin enjoying the benefits of her property. Or, perhaps she may at least expect to find solace in a presumption of validity should the patent be challenged in any way.<sup>92</sup> However, this is far from the case.

Patent reexamination is a procedure through which the validity of an issued patent can be reassessed upon the discovery of information that *existed* at the time of the initial examination (so the examiner potentially *could* have considered it), but that was not, in fact, considered by the examiner at that time.<sup>93</sup> The scope of the analysis during reexamination is narrowly limited to consideration of this precise issue.<sup>94</sup> There are currently two types of patent reexamination, *ex parte* and *inter partes*, and both are fairly new additions to the realm of patent law, legislated in 1980 and 1999 respectively.<sup>95</sup> The recently passed America Invents Act will replace *inter partes* reexamination with a new procedure, “*inter partes* review,” effective September 16, 2012, but the Act leaves *ex parte* reexamination intact.<sup>96</sup> This Part explores the two currently existing forms of reexamination in some detail (understanding of the current

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Inc. v. Bridge Med., Inc., 487 F.3d 897, 925–26 (Fed. Cir. 2007) (holding patent unenforceable for inequitable conduct based on a failure to disclose a co-pending application).

<sup>91</sup> The Federal Circuit has recently articulated a more forgiving “but-for” standard for determining when a breach of duty is sufficiently material to give rise to inequitable conduct. *See* *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1291 (Fed. Cir. 2011) (en banc). Now, to be material, it must be shown that had the examiner seen the undisclosed prior art, she would have rejected the claim. *See id.* Also, the America Invents Act provides an additional mechanism to cure disclosure defects post-issuance through “supplemental examination.” *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 12, 125 Stat. 284, 325–27 (2011) (to be codified at 35 U.S.C. § 257); *infra* Part V.C.

<sup>92</sup> The patent owner does, in fact, have the benefit of such a presumption in judicial proceedings. *See* 35 U.S.C. § 282 (2006).

<sup>93</sup> *See* FOX, *supra* note 18, at 527. As will be discussed in more detail later in this part, considering the vast reservoir of potential prior art for any particular invention, the examiner could have overlooked this information for any one of a number of legitimate reasons, including simply not finding a particular piece of prior art.

<sup>94</sup> *Id.* at 527–28.

<sup>95</sup> MERGES & DUFFY, *supra* note 23, at 1092.

<sup>96</sup> *See* Leahy-Smith America Invents Act § 6(a), 125 Stat. at 299–305 (to be codified at 35 U.S.C. §§ 311–319); Lori A. Gordon & Glenn J. Perry, *Post-Grant Invalidity Challenges at the USPTO: Congress Built It, but Will They Come?*, in THE IMPACT OF THE LEAHY-SMITH AMERICA INVENTS ACT: LEADING LAWYERS ON INTERPRETING AND APPLYING THE PATENT REFORM ACT OF 2011 (2011), available at <http://64.237.99.107/media/pnc/3/media.1503.pdf>.

inter partes reexamination process is necessary background to appreciate inter partes review), with an emphasis on the legislative intent behind the procedures, as well as the reexamination procedures themselves.

### A. *Ex Parte* Reexamination

Ex parte reexamination is a process through which *anyone*—including but not limited to the patent owner, a potential infringer, an adverse party in an ongoing infringement suit, a business competitor, or anyone else—may submit a detailed, written request, along with a fee,<sup>97</sup> suggesting that a “substantial new question of patentability” exists with respect to the patent.<sup>98</sup> This request may even be submitted anonymously.<sup>99</sup> If such a substantial new question is discovered, the PTO reopens the file on the patent, assigns it to an examiner, and reexamination takes place in a manner quite similar to the original examination.<sup>100</sup> No presumption of validity is afforded to the patentee by virtue of the fact that she already completed the full examination process; it is as if the patent were still in the initial application phase.<sup>101</sup>

#### 1. *Legislative History*

The purposes of the original reexamination statute were to create a system to reexamine “doubtful patents” and to create a substitute for patent infringement litigation.<sup>102</sup> In theory, the new reexamination system would accomplish three goals: to resolve patent validity disputes based upon previously unconsidered prior art more cheaply and efficiently than through litigation; to allow the PTO, with its expertise in the patent field, to resolve issues concerning prior art; and to strengthen confidence in the patent system in the face of doubtful patents that may not have been sufficiently tested against prior art before issuance.<sup>103</sup> The substantial new question of patentability

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<sup>97</sup> Currently, the cost is \$2520. See 37 C.F.R. § 1.20(c)(1) (2011); *Fee Schedule*, *supra* note 53. However, if reexamination is ultimately not ordered, the requester is refunded \$1690 of that fee. See 37 C.F.R. § 1.26(c).

<sup>98</sup> 35 U.S.C. § 303(a) (2006).

<sup>99</sup> See *id.* § 301. Anonymity can potentially be achieved by submitting the request through an attorney, hired specifically for this unique purpose, who practices in a location distant from the requester’s home or business.

<sup>100</sup> See *id.* § 305 (“[R]eexamination will be conducted according to the procedures established for initial examination . . .”).

<sup>101</sup> See *In re Etter*, 756 F.2d 852, 856–57 (Fed. Cir. 1985) (“The focus of [reexamination] proceedings . . . returns essentially to that present in an initial examination, i.e., to a time at which no presumption of validity had been created.”).

<sup>102</sup> See MERGES & DUFFY, *supra* note 23, at 1092.

<sup>103</sup> See HARMON, *supra* note 6, at 578; see also *In re Swanson*, 540 F.3d 1368, 1375 (Fed. Cir. 2008) (“Congress intended reexaminations to provide an important ‘quality check’ on patents that would allow the government to remove defective and erroneously granted patents.”); *In re Recreative Techs. Corp.*, 83 F.3d 1394, 1396 (Fed. Cir. 1996).

requirement was intended both to avoid the administrative waste that would result from reconsidering settled patentability issues de novo, and also to prevent the misuse of the reexamination procedure for abusive purposes.<sup>104</sup> However, in practice, as explained below, the limitation does not effectively serve its gatekeeping function.

## 2. *Ex Parte* Reexamination Procedure

### a. *Crossing the "Substantial New Question of Patentability" Threshold*

When deciding the substantial new question issue, the PTO is not restricted to the grounds offered by the requesting document itself, but rather is free to consider other prior art not mentioned in the request.<sup>105</sup> If the PTO determines that a substantial new question of patentability exists, reexamination is ordered to resolve the issue.<sup>106</sup> A substantially new question of patentability exists where the PTO determines that an examiner could *potentially* conclude that a piece of prior art not considered during the initial examination would have anticipated or rendered obvious one or more claims in the patent, had the prior art been considered.<sup>107</sup> In other words, a patentee is flung back into the pit of examination if a piece of prior art meets the minimal burden of showing that some of the approved claims *may not* be novel or *may* be obvious.<sup>108</sup>

Note that to meet the substantial new question of patentability requirement, it is not necessary for the requester to allege that *all* of the claims in the patent under scrutiny are suspect. In fact, the requester need only claim that "at least one claim of the patent" is potentially invalidated by the prior art.<sup>109</sup> This means that the general strategy of patent drafters to begin with broad, nebulous claims and supplement with narrow claims<sup>110</sup> plays right into the hands of a reexamination requester seeking a claim to attack, because just as the patent at issue will likely have at least one broad claim to attack, the cited prior art will

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<sup>104</sup> See Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 HARV. J.L. & TECH. 1, 45 (1997). Congress recognized that "unwarranted reexaminations [could] harass the patentee and waste the patent[']s life." *Recreative Techs.*, 83 F.3d at 1397.

<sup>105</sup> See 35 U.S.C. § 303(a).

<sup>106</sup> See *id.* § 304.

<sup>107</sup> See Mercado, *supra* note 3, at 116. There is no explicit statutory definition for the substantial new question of patentability standard. See *In re Swanson*, 540 F.3d at 1376. ("The statute does not define what constitutes a 'substantial new question of patentability.'").

<sup>108</sup> As mentioned earlier with respect to patent searches, the universe of prior art is extremely accessible in the Internet age as compared to the 1980s, when reexamination was first established. See *supra* notes 83–84 and accompanying text. Today, "a professional searcher working with a patent attorney in combination will always be able to find prior art patent and pending applications that you did not know about." Quinn, *supra* note 78.

<sup>109</sup> See 35 U.S.C. § 301.

<sup>110</sup> See *supra* notes 37–40 and accompanying text.

likely similarly contain a broad claim to use as a sword. Essentially, the only way that a requester can fail the substantial new question of patentability test is to offer an argument that was expressly rejected during the initial examination.<sup>111</sup>

Subsequent amendments to the Patent Act and case law have both further trivialized the substantial new question of patentability requirement. In response to a 1997 case that served to expressly limit a requester's prior art references to those that the examiner did not, in fact, consider during the initial examination,<sup>112</sup> Congress amended the statute to add the sentence: "The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office."<sup>113</sup> As a result, a substantial new question of patentability can now be established using nothing but prior art *already considered by the examiner*, so long as the requester can articulate a fresh argument to suggest that the prior art may invalidate the challenged patent's claims.<sup>114</sup>

Further, *KSR*'s impact on the nonobviousness requirement also plays a role in trivializing the substantial new question threshold.<sup>115</sup> By removing the TSM test as the exclusive test for a nonobviousness rejection, a reexamination requester's potential pool of prior art to challenge a patent has grown immensely. Basically, all a requester needs to do is: (1) find a piece or pieces of prior art in the same field as the patent that the examiner did not reference during the examination,<sup>116</sup> (2) compare the broadest claims in the discovered

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<sup>111</sup> See Matthew A. Smith, *Inter Partes Reexamination*, FOLEY & LARDNER LLP, 90 (Jan. 31, 2009), [http://www.foley.com/files/Publication/cf4a257b-120e-4f21-a65d-2a64b5549e88/Presentation/PublicationAttachment/9a3d37ca-e365-40b5-bcf2-2a9d9dcc8df7/Inter\\_Parties\\_Reexamination.pdf](http://www.foley.com/files/Publication/cf4a257b-120e-4f21-a65d-2a64b5549e88/Presentation/PublicationAttachment/9a3d37ca-e365-40b5-bcf2-2a9d9dcc8df7/Inter_Parties_Reexamination.pdf) ("A question of patentability is generally not new only if more or less exactly the same question has been decided in a previous examination.").

<sup>112</sup> See *In re Portola Packaging, Inc.*, 110 F.3d 786, 791 (Fed. Cir. 1997) ("[W]e hold that a rejection made during reexamination does not raise a substantial new question of patentability if it is supported only by prior art previously considered by the PTO in relation to the same or broader claims.").

<sup>113</sup> 35 U.S.C. § 303(a); see also MPEP, *supra* note 72, § 2242(II)(A) ("For any reexamination ordered on or after November 2, 2002, the effective date of the statutory revision, reliance on previously cited/considered art, i.e., 'old art,' does not necessarily preclude the existence of a substantial new question of patentability . . . based exclusively on that old art.").

<sup>114</sup> See MPEP, *supra* note 72, § 2242(II)(A) ("[D]eterminations on whether a [substantial new question] exists . . . shall be based upon a fact-specific inquiry done on a case-by-case basis.").

<sup>115</sup> See Mercado, *supra* note 3, at 130 (discussing the nonobviousness requirement).

<sup>116</sup> See *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (explaining that the legislative history suggests that "the test for a substantial new question of patentability should focus on what 'the examiner' considered"). With the multitude of patents and published applications available, it is not feasible for a patent examiner to cite *every* piece of prior art that could potentially relate to the patent. For example, a prior art search at the PTO

prior art to the claims in the patent at issue, mixing and matching aspects of prior art as necessary, and (3) craft a reasonably intelligible argument to show that the examiner should have synthesized a nonobviousness rejection based upon those claims.<sup>117</sup> Before *KSR*, the requester was restricted to using prior art that contained some level of teaching, suggestion, or motivation to make such an argument;<sup>118</sup> now, through artful drafting of the request, the requester can raise the question using a much broader pool of potential prior art.

*b. Patentee, PTO, and Requester Interactions Once Reexamination Is Ordered*

Notably, up to this point in the procedure (the ordering of the reexamination by the PTO), the patent owner has had no right to offer any input concerning the threshold decision of the substantial new question issue;<sup>119</sup> only after the PTO decides the issue and orders the reexamination does the patentee enter the process.<sup>120</sup> Commentators have noted that “the inability to respond at this point in the reexamination procedure seriously diminishes the patentee’s ability to escape reexamination unscathed, for it gives an adverse party the opportunity to

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website for the term “golf club head” in the patent title reveals an astounding 3030 issued patents, any one of which could have some bearing on a patent for a new golf club. See *USPTO Patent Full-Text and Image Database*, U.S. PAT. & TRADEMARK OFF. <http://patft.USPTO.gov/netahtml/PTO/search-bool.html> (last visited Apr. 6, 2012).

<sup>117</sup> See *In re Swanson*, 540 F.3d at 1376. The determination requires “‘not merely look[ing] at the number of references [the examiner considered] or whether they were previously considered or cited but their combination in the appropriate context of a new light as it bears on the question of the validity of the patent.’” H.R. REP. NO. 107-120, at 10 (2002); see also 37 C.F.R. § 1.510 (2011).

<sup>118</sup> See, e.g., *Al-Site Corp. v. VSI Int’l, Inc.*, 174 F.3d 1308, 1323–24 (Fed. Cir. 1999) (“The party seeking patent invalidity based on obviousness must also show some motivation or suggestion to combine the prior art teachings.”).

<sup>119</sup> 37 C.F.R. § 1.530(a) (“[N]o statement or other response by the patent owner in an *ex parte* reexamination proceeding shall be filed prior to the [substantial new question of patentability] determination[.] . . . If a premature statement or other response is filed by the patent owner, it will not be acknowledged or considered in making the determination . . .”); see also *Patlex Corp. v. Mossinghoff*, 771 F.2d 480, 484–86 (Fed. Cir. 1985) (upholding the constitutionality of disallowing patentee involvement over a due process challenge).

<sup>120</sup> See 35 U.S.C. § 304 (2006). Once the reexamination has been ordered, the patent owner is “given a reasonable period, not less than two months . . . , within which he may file a statement” in response to the finding of the substantial new question, and the patent owner may include “any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination.” *Id.* However, “[n]o proposed amended or new claim enlarging the scope of a claim of the patent will be permitted.” *Id.* § 305. Further, it may be strategically unwise for the patent owner to file such a statement, because filing a statement triggers the third-party requester’s right to reply, where otherwise the *ex parte* reexamination requester would be barred from any further involvement whatsoever. See *id.* § 304.

present uncontroverted arguments in support of reexamination and invalidity at the very onset."<sup>121</sup>

More distressingly, once the reexamination has been ordered, there is no way to stop it.<sup>122</sup> Not only is the patent owner denied the opportunity to respond to the substantial new question determination, but she is also denied the right to appeal the decision.<sup>123</sup> A patentee's failure to participate in the reexamination results in termination of the challenged claims.<sup>124</sup> Within the first year of the implementation of ex parte reexamination, one practitioner reached the following startling conclusion:

[A]ny person, whether or not he is an infringer or may be an infringer in the future, may initiate a reexamination of the patent. Some idea of the importance of this facet of the law may be appreciated when, upon reflection, one notes that any person may initiate the reexamination process for a given patent without compromising his anonymity and, once begun, . . . regardless of the wishes of the patentee, the process must continue to a determination of patentability or unpatentability.<sup>125</sup>

So, after the substantial new question phase, the ex parte reexamination requester is completely out of the picture (without any further rights or obligations with respect to the process),<sup>126</sup> while the patentee, who had no say in the reexamination's initiation, is left holding the bag, compelled to participate in the proceedings for their duration, whether or not (and likely not)<sup>127</sup> she wanted the reexamination to occur, and without any way to stop it.

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<sup>121</sup> William G. Conger, *Patent Reexamination Reexamined*, 1986 DET. C.L. REV. 523, 554. Interestingly, the legislative history suggests that the intent behind excluding the patent owner from the process until the substantial new question is already established appears to have been to *protect* patentees from the annoyances of "having to respond to, or participate in unjustified reexaminations." H.R. REP. No. 96-1307, pt. 1, at 7 (1980). However, considering the high percentage of requests that result in reexamination, see Mercado, *supra* note 3, at 122, in practice, this is likely more of a burden than a benefit for the patentee.

<sup>122</sup> See Mercado, *supra* note 3, at 112-13.

<sup>123</sup> See 35 U.S.C. § 303(c); *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985); Mercado, *supra* note 3, at 119 (noting the inconsistency and inequity that "a decision ordering reexamination is not appealable by the patent owner, [but] the third-party requester is afforded the chance to petition for review of a PTO decision denying the request" (footnote omitted)).

<sup>124</sup> See 35 U.S.C. § 307(a).

<sup>125</sup> Anthony H. Handal, *Re-Examination: Some Tactical Considerations: A Private Practitioner's Viewpoint*, 9 AIPPLA Q.J. 249, 250 (1981).

<sup>126</sup> See 35 U.S.C. § 304. If the patentee files a response to the PTO upon receipt of the determination that reexamination has been ordered, the original requester does have the right to file a reply, but that is the maximum extent of the requester's potential participation. *Id.*

<sup>127</sup> There are some legitimate reasons that a patentee may potentially seek reexamination on her own patent. See O'CONNOR, *supra* note 29, at 130-32 (suggesting that if a patent owner learns of potential prior art that could affect the scope of her claims, reexamination offers an opportunity to strengthen the patent, should the claims survive the reexamination). However, this is a risky strategy, as there is nothing stopping the examiner from rejecting the

Once reexamination is ordered, the patent is examined in much the same way as the initial examination,<sup>128</sup> but unlike the initial examination, the reexamination must be conducted with “special dispatch.”<sup>129</sup> This special dispatch requirement is intended to benefit both the patentee and the public by resolving any uncertainties with respect to patent validity in a timely manner. However, this intended benefit can actually become a significant burden on the patentee in two ways.

First, unlike the initial examination, where the applicant may freely (for any reason and even retroactively) file for extensions of time of up to six months by simply paying a fee,<sup>130</sup> the patentee facing reexamination may extend deadlines only with a showing of “sufficient cause.”<sup>131</sup> Failure to file a response within the allotted time results in a “great risk that the proceeding will be terminated and [all the patentee’s] claims will be cancelled.”<sup>132</sup> This time crunch can have a severely negative impact on the patentee’s ability to effectively support her case.<sup>133</sup> As one practitioner put it:

[T]hese shortened response periods create a genuine hardship for the patentee. When the requester is a third party, for example, the patentee will often be forced upon short notice, to rearrange his patent prosecution docket or to hire

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claims in light of the newly considered art. *Id.* at 131. The America Invents Act will provide an alternative means of patent-owner initiated reexamination through “supplemental examination” to cure potential disclosure deficiencies alongside previously-unconsidered prior art. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 12, 125 Stat. 284, 325–27 (2011) (to be codified at 35 U.S.C. § 257); William P. Ladd & Glenn J. Perry, *Supplemental Examination: A New Procedure for Post-Issuance Submission of Prior Art in the America Invents Act*, STERNE, KESSLER, GOLDSTEIN & FOX (Sept. 19, 2011), [www.skgf.com/media/pnc/0/media.1420.pdf](http://www.skgf.com/media/pnc/0/media.1420.pdf) (suggesting the use of supplemental examination where “a patent owner [is] understandably reluctant to request a full-blown reexamination of his own patent just to have a piece of prior art formally considered by the PTO”); *infra* Part V.C.

<sup>128</sup> *See* 35 U.S.C. § 305. Since 2005, reexaminations are no longer conducted by the same examiner who was responsible for the initial examination. David L. McCombs & Theodore Foster, *Patent Reexamination: Trends for the 2010s*, in 4TH ANNUAL PATENT LAW INSTITUTE 255, 268 (PLI Intellectual Prop., Course Handbook Ser. No. G-997, 2010). Now, a PTO established “Central Reexamination Unit” is responsible for all reexaminations. *Id.*

<sup>129</sup> *See* 35 U.S.C. § 305.

<sup>130</sup> *See id.* § 133; 37 C.F.R. § 1.136(a)(1) (2011).

<sup>131</sup> 37 C.F.R. § 1.550(c). The PTO further clarifies that to qualify:

The reasons must include (A) a statement of what action the patent owner has taken to provide a response, to date as of the date the request for extension is submitted, and (B) why, in spite of the action taken thus far, the requested additional time is needed. The statement of (A) must provide a factual accounting of reasonably diligent behavior by all those responsible for preparing a response to the outstanding Office action within the statutory time period.”

MPEP, *supra* note 72, § 2265.

<sup>132</sup> Mercado, *supra* note 3, at 128.

<sup>133</sup> *See* Conger, *supra* note 121, at 549.

patent counsel for purposes of prosecution of the reexamination. . . . Perhaps more importantly, it will be difficult for the patentee to arrange for experimental work in support of patentability.<sup>134</sup>

Further, as a practical matter, there is no need to incentivize, let alone statutorily mandate, quick action on the part of the patentee, as she is already motivated to resolve the situation as quickly as possible to preserve precious patent life.

Second, unlike the initial examination, where the patent applicant may repeatedly file requests for continued examination and pay fees to continue prosecution after final rejections,<sup>135</sup> the patentee has no means to continue the prosecution once there has been a final rejection in a reexamination proceeding.<sup>136</sup> Once a final rejection has been issued, the patentee's only recourse is through appeal to the Board of Patent Appeal and Interferences.<sup>137</sup> Denial of the patentee's right to pay to continue prosecuting the reexamination is another substantial yet needless burden on the patent owner who, as discussed above, already has sufficient incentive to speedily resolve the issues raised in the reexamination to preserve the ticking patent term.<sup>138</sup>

The harsh impact of the special dispatch requirement on patentees is even more vexing when considering that the primary source of delay in the patent reexamination process is not patentees, but rather the PTO itself. While the response time for the initial determination of the substantial new question of patentability is strictly mandated at "[w]ithin three months following the filing of a request for reexamination,"<sup>139</sup> the average total pendency time for ex parte reexamination proceedings from start to finish, as of the first quarter of fiscal year 2011, is over twenty-six months.<sup>140</sup> This slightly-over-two-year figure is actually an improvement over previous years, where in 2008 and 2009, the average times were over thirty months for each quarter, and in 2010 the quarterly statistics (truncated values) were thirty-one, twenty-six, twenty-eight,

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<sup>134</sup> *Id.* (footnote omitted).

<sup>135</sup> See 35 U.S.C. § 132(b); 37 C.F.R. § 1.114(a) ("[A]n applicant may request continued examination of the application by filing a submission and the fee . . ."). "Final rejection" in an initial examination is nothing more than a signal that the applicant must pay an additional fee to continue pleading her case; there is nothing "final" about it. Rather, the patent prosecution process continues until either the applicant and examiner come to terms and a patent is issued, or the applicant decides to abandon the application.

<sup>136</sup> See MPEP, *supra* note 72, § 2271 ("[T]he patent owner does not have the right to renew or continue the proceedings . . . by filing a request for continued examination . . .").

<sup>137</sup> See 35 U.S.C. § 306. Notably, the "third party requester may not appeal, and may not participate in the patent owner's appeal." MPEP, *supra* note 72, § 2273.

<sup>138</sup> See Conger, *supra* note 121, at 551–53 (discussing how a patentee lacks sufficient time to fully state her case, especially given the amount of time it may take to perform appropriate experimentation and testing to demonstrate claim validity).

<sup>139</sup> 35 U.S.C. § 303(a); 37 C.F.R. § 1.515(a).

<sup>140</sup> See *Reexamination Operational Statistics*, U.S. PAT. & TRADEMARK OFF. (Sept. 30, 2011), [http://www.uspto.gov/patents/stats/reexamination\\_operational\\_statistic\\_quarter\\_ending\\_12\\_31\\_2011.pdf](http://www.uspto.gov/patents/stats/reexamination_operational_statistic_quarter_ending_12_31_2011.pdf).



and twenty-nine months.<sup>141</sup> Further, “during reexamination the clock is running on the patent term with no prospect of extension,” and maintenance fees must still be paid.<sup>142</sup>

So, the net effect of ex parte reexamination, in its current state, is that an anonymous third-party requester may, with the minimal showing of a substantial new question of patentability and a fee of \$2500, irreversibly fling a patentee’s issued patent into the mire of additional administrative proceedings that, on average, extend for over 10% of the patent’s potential duration, all before the patent owner has the right to speak a word in defense of her patent. And, assuming the patent survives the process, there is nothing stopping another (or the same) anonymous third party from starting the process anew.

### B. *Inter Partes* Reexamination

In 1999, Congress enacted the inter partes reexamination system, giving third-party requesters for patent reexamination a means to participate more fully during the patentee–examiner dialogue of the reexamination process.<sup>143</sup> While still available to patent challengers as of the date of this publication, inter partes reexamination will be phased out in favor of “inter partes review” and “post-grant review” in September 2012.<sup>144</sup> Once an inter partes reexamination is initiated,<sup>145</sup> the reexamination itself is conducted in largely the same manner as the ex parte procedure,<sup>146</sup> but the third-party requester may correspond with the PTO and make arguments against patentability.<sup>147</sup> Statistics indicate that inter partes requesters are highly successful in their efforts, with all claims cancelled

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<sup>141</sup> *Id.*

<sup>142</sup> See Mercado, *supra* note 3, at 131.

<sup>143</sup> See Smith, *supra* note 111, at 11–12.

<sup>144</sup> See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6, 125 Stat. 284, 299–313 (2011) (to be codified at 35 U.S.C. §§ 311–319). Importantly, the Act made one crucial change already in effect: it removed the “substantial new question” as the standard to order the reexamination and replaced it with a “reasonable likelihood that the requester would prevail” analysis. See *id.* § 6(c)(3)(A)(i)(I), 125 Stat. at 305 (to be codified at 35 U.S.C. § 312(a)). This and other changes will be discussed more fully in Part V.

<sup>145</sup> The initial requesting stages are the same for both forms of reexamination. See Allen M. Leung, *Legal Judo: Strategic Applications of Reexamination Versus an Aggressive Adversary* (pt. 1), 84 J. PAT. & TRADEMARK OFF. SOC’Y 471, 488 (2002). The third party must request the reexamination in writing, offer a substantial new question of patentability, and await the PTO’s determination on the substantial new question issue. *Id.* The current fee to request inter partes reexamination, which is substantially more expensive than ex parte reexamination, is \$8800. See 37 C.F.R. § 1.20(c)(2) (2011); *Fee Schedule*, *supra* note 53.

<sup>146</sup> See 35 U.S.C. § 314(a) (2006); David L. McCombs & David M. O’Dell, The New Role of Reexamination in Patent Litigation, Presentation at the 2006 Advanced Patent Law Institute 6 (Nov. 16–17, 2006), available at [http://www.haynesboone.com/files/Publication/0bcd3628-5a1d-4323-b03d-b9843b67c1c6/Presentation/PublicationAttachment/b618c7f2-21af-42c4-86bc-5061e401a438/11-16-06\\_McCombs-ODell\\_Reexamination%20Paper.pdf](http://www.haynesboone.com/files/Publication/0bcd3628-5a1d-4323-b03d-b9843b67c1c6/Presentation/PublicationAttachment/b618c7f2-21af-42c4-86bc-5061e401a438/11-16-06_McCombs-ODell_Reexamination%20Paper.pdf).

<sup>147</sup> See 35 U.S.C. § 314(b)(2).

for 47% of reexamined patents, amendments made to claims in 43% of the cases, and only a 10% incidence of patents emerging unaltered.<sup>148</sup> However, to invoke the benefits of increased involvement, the requester must abide by estoppel provisions, limiting the inter partes requester's ability to pursue certain forms of additional redress if the patent survives the reexamination.<sup>149</sup> Consequently, inter partes reexamination has yet to become a popular option for practitioners.<sup>150</sup>

### 1. *Legislative History*

Congress established inter partes reexamination in response to complaints that the ex parte reexamination procedures did not serve as a viable alternative to litigation because third-party requesters lacked sufficient involvement.<sup>151</sup> However, despite realizing that the ex parte reexamination experiment failed to serve the intended purpose of reducing litigation costs, Congress chose to implement inter partes reexamination as an additional weapon for the arsenal of patent challengers, not as a replacement for the admittedly ineffective system.<sup>152</sup> Further, Congress again set the unappealable determination of a substantial new question of patentability as the sole barrier between a patentee and a reexamination order.<sup>153</sup>

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<sup>148</sup> See *Inter Partes Reexamination Filing Data—December 31, 2010*, U.S. PAT. & TRADEMARK OFF. (Dec. 31, 2010), [http://www.whda.com/blog/wp-content/uploads/2011/01/Inter\\_Part quarterly\\_report\\_Dec\\_2010.pdf](http://www.whda.com/blog/wp-content/uploads/2011/01/Inter_Part quarterly_report_Dec_2010.pdf).

<sup>149</sup> See 35 U.S.C. §§ 315(c), 317.

<sup>150</sup> See Tun-Jen Chiang, *The Advantages of Inter Partes Reexamination*, 90 J. PAT. & TRADEMARK OFF. SOC'Y 579, 579 (2008) ("Among patent lawyers, it is a widely held view that recommending an accused infringer seek inter partes reexamination borders on legal malpractice."); Leung, *supra* note 145, at 478 ("[R]eactions to the newly enacted [inter partes reexamination] proceedings have been decidedly negative." (footnote omitted)); Smith, *supra* note 111, at 42 ("The total number of requests for inter partes reexamination is . . . low compared to requests for *ex parte* reexamination . . .").

<sup>151</sup> 145 CONG. REC. H11769, H11804 (daily ed. Nov. 9, 1999) (Conference Report on H.R. 1554, Intellectual Property and Communications Omnibus Reform Act of 1999) ("Congress enacted legislation to authorize ex parte reexamination of patents in the USPTO in 1980, but such reexamination has been used infrequently since a third party who requests reexamination cannot participate at all after initiating the proceedings. Numerous witnesses have suggested that the volume of lawsuits in district courts will be reduced if third parties can be encouraged to use reexamination by giving them an opportunity to argue their case for patent invalidity in the USPTO.").

<sup>152</sup> See *id.* ("[Inter partes reexamination] is intended to reduce expensive patent litigation . . . by giving third-party requesters, in addition to the existing ex parte reexamination . . . , the option of inter partes reexamination proceedings . . ."); see also *id.* at H11805 (emphasizing that the new law "leaves existing ex parte reexamination procedures . . . intact, but establishes an inter partes reexamination procedure which third-party requesters can use at their option").

<sup>153</sup> See *id.* at H11805 ("[The new law] contains the important threshold safeguard (also applied in ex parte reexamination) that an inter partes reexamination cannot be commenced

## 2. *Inter Partes* Reexamination Procedure

Given the similarities between the two forms of reexamination, the most efficient way to describe *inter partes* reexamination is to point out its major differences from *ex parte*. As a preliminary matter, unlike *ex parte*, neither the patentee nor the PTO itself can be the requester, but more importantly, the requester must identify herself as a “real party in interest.”<sup>154</sup> Consequently, the abuse potential associated with anonymous filings is eliminated. However, because an *inter partes* request is “a billboard to advertise the underlying concerns of the Third Party Requester . . . [that includes] the name and address of the [requester],” the concurrent availability of *ex parte* reexamination, as a practical matter, relegates the use of *inter partes* reexamination to situations where the patent owner is already aware of the requester’s potentially infringing activity.<sup>155</sup>

The key procedural differences between *ex parte* and *inter partes* reexamination naturally stem from the increased involvement of the third-party requester. Once reexamination is ordered, the scope of the proceeding is still confined to the issue of patentability over unaddressed prior art considerations. Unlike the *ex parte* requester, however, her *inter partes* counterpart has a new right: “Each time that the patent owner files a response to an action on the merits . . . , the third-party requester shall have one opportunity to file written comments addressing issues raised by the action of the Office or the patent owner’s response thereto . . . .”<sup>156</sup> These comments must be received by the PTO within thirty days of service of the patent owner’s response.<sup>157</sup> The

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unless the USPTO makes a determination that a ‘substantial new question’ of patentability is raised. Also, . . . this determination cannot be appealed . . . .”); *see also* 35 U.S.C. § 312(c) (“A determination by the Director [of a substantial new question of patentability] shall be final and non-appealable.”). The America Invents Act has finally changed this standard with respect to *inter partes* reexamination. *See Leahy-Smith America Invents Act*, Pub. L. No. 112-29, § 6(c), 125 Stat. 284, 305 (2011) (to be codified at 35 U.S.C. § 312(a)); *see also infra* note 206 and accompanying text.

<sup>154</sup> 35 U.S.C. § 311(b)(1).

<sup>155</sup> *See Smith, supra* note 111, at 15–16 (“Because [the use of *inter partes* reexamination may lead to the patent owner investigating the requester for potential infringement, Smith] suspects that practitioners will deemphasize *inter partes* reexamination filings where there is a chance that the Third Party Requester is not the focus of the Patent Owner’s attention. Instead, *inter partes* reexamination is likely to be more frequently used where the Third Party Requester is already a target of the Patent Owner and where the avoidance of further provocation is not an issue.”).

<sup>156</sup> 35 U.S.C. § 314(b)(2).

<sup>157</sup> *See id.* If the requester subsequently opts not to participate in the reexaminations and chooses not to file responses, the examination does not terminate, but rather continues in *ex parte* fashion. *See Smith, supra* note 111, at 235. A final judgment on the merits in a court case on the same validity issue can lead to an involuntary termination of the requester’s participation in the proceedings as well. *Id.* at 34.

requester also has the opportunity to participate in the appeal process, whether the appeal is initiated by the requester or the patent owner.<sup>158</sup>

### 3. Estoppel Provisions

Besides the requester's participation, the other significant difference between the reexamination forms lies in the estoppel provisions of inter partes, and these provisions are also the greatest deterrent to its use.<sup>159</sup> There are two distinct sets of estoppel provisions. The first set is a res judicata-like provision preventing an inter partes requester from subsequently raising an issue of invalidity in court that has already been decided or could have been raised through the reexamination.<sup>160</sup> This aspect of inter partes reexamination seems to comport with the legislative intent to provide a true alternative to litigation. The second set of estoppel provisions limits the ability of the inter partes requester, and "its privies," from filing additional inter partes reexamination requests, once an original request has been granted, for the duration of the pending reexamination.<sup>161</sup> Additionally, a potential requester is generally precluded from filing a new inter partes reexamination if she litigated and lost on the issue in court or she already participated in a prior inter partes reexamination where the issue could have been raised.<sup>162</sup>

Uncertainty issues about the precise nature of the provisions aside, the estoppel concept provides an important incentive for inter partes requesters that is wholly lacking in the ex parte system: the incentive for requesters to make their best arguments from the start. However, even within an inter partes proceeding, the inequities of ex parte reexamination can surface because the

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<sup>158</sup> See 35 U.S.C. § 315; McCombs & O'Dell, *supra* note 146, at 7–8. The third-party requester cannot appeal on the basis of unpatentability in the general sense, but only with respect to the specific arguments offered as proposed rejections that were not accepted by the examiners. See Smith, *supra* note 111, at 158.

<sup>159</sup> See O'Dell, McCombs & Nickols, *supra* note 5, at 7. The provisions are also rather ambiguous as to their precise effect, which makes practitioners tread cautiously. See *id.* at 8–9 (noting that the provisions "are unclear in several respects and their scope has yet to be tested," and that the PTO itself has expressly requested that Congress clarify the risks imposed); see also Leung, *supra* note 145, at 492 ("Commentators have decried the ambiguities surrounding the wording . . . [and] the PTO . . . remained vague and declined to provide cogent guidance on this issue . . ."); Smith, *supra* note 111, at 21–42 (describing in detail the various estoppel provisions and their interpretations by the PTO and courts, but also illuminating a variety of unresolved issues). For the purposes of this Note, it is not necessary to explore the intricacies of the problem in great detail.

<sup>160</sup> See 35 U.S.C. § 315(c); Smith, *supra* note 111, at 35.

<sup>161</sup> See 35 U.S.C. § 317(a). There is an exception if the requester can get the authorization of the Director. *Id.*

<sup>162</sup> See *id.* § 317(b). Again, the contours of this provision are highly uncertain. See Smith, *supra* note 111, at 23–30 (noting points of contention on a number of details, including when a decision is sufficiently "final" to give rise to the bar, which claims are deemed to be "in suit," and when a requester is affected by the "could have raised" language).

estoppel provisions do not prevent the requester from subsequently filing ex parte requests<sup>163</sup> and the patent owner still has no power to challenge the initial substantial new question inquiry. Also, the estoppel does “not preclude litigation of issues that are outside the PTO’s purview of authority,” because they could not have been raised during the reexamination.<sup>164</sup> This means that the requester may still go to court with any arguments unrelated to prior art-based invalidity issues (such as inequitable conduct allegations) despite the decision to request an inter partes reexamination.<sup>165</sup>

#### IV. THE UNINTENDED CONSEQUENCES OF THE CURRENT REEXAMINATION SYSTEM

At first glance, reexamination may seem to be a reasonable path to snare illegitimate patents that snuck through the system to take the burden off the courts; after all, if mistakes were made during the initial examination process and a patent should not have been issued in the first place, then the patentee has no right to complain when the oversight is corrected. However, when evaluating reexamination, one must always be mindful that the patentee *did*, in fact, already go through examination, and as shown in Part II, this was no small task; the patentee demonstrated to the satisfaction of the government that a patent was earned, and it would be improper to ignore “the deference that is due to a qualified government agency presumed to have done its job.”<sup>166</sup> This Part highlights the inequities that the current reexamination system creates with respect to the patentee’s earned patent rights, first exploring the inconsistent standards of review between reexamination and patent litigation, and then discussing the exploitation of reexamination as a defense strategy to take advantage of the strong anti-patentee features of the system.

##### A. Inconsistent Standards of Review

While an issued patent is afforded a presumption of validity when challenged in court,<sup>167</sup> the same patent enjoys no such luxury during reexamination.<sup>168</sup> In *In re Etter*, the Federal Circuit established the distinction:

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<sup>163</sup> See Smith, *supra* note 111, at 23. However, the requester will likely not be able to merge the proceedings, *see id.*, and consequently will not have the opportunity to participate after filing the ex parte request, per standard ex parte procedures.

<sup>164</sup> Leung, *supra* note 145, at 493–94.

<sup>165</sup> *See id.*

<sup>166</sup> *PharmaStem Therapeutics, Inc. v. ViaCell, Inc.*, 491 F.3d 1342, 1366 (Fed. Cir. 2007) (quoting *Polaroid Corp. v. Eastman Kodak Co.*, 789 F.2d 1556, 1560 (Fed. Cir. 1986)).

<sup>167</sup> See 35 U.S.C. § 282 (“A patent shall be presumed valid. . . . The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”).

<sup>168</sup> *See In re Etter*, 756 F.2d 852, 858–59 (Fed. Cir. 1985).

“[T]he § 282 presumption is a rule of procedure placing the burden of persuasion on him who attacks a patent’s validity. There is no such attacker in a reexamination, and hence no one on whom that burden may be placed.”<sup>169</sup> The court also explained that the “examiner is not attacking the validity of a patent, but is conducting a subjective examination of claims in the light of prior art.”<sup>170</sup> Despite the apparent inaccuracy of this assertion,<sup>171</sup> *In re Etter*’s holding has been affirmed and reaffirmed not only in the context of ex parte reexamination, but also for inter partes reexamination (which did not exist at the time of *In re Etter*), even though inter partes reexamination is even more overtly adversarial than ex parte reexamination.<sup>172</sup>

On top of the inapplicability of the presumption of validity, there is also a different standard of interpretation for patent claims during reexamination as compared to the courtroom setting. In court, the patent’s claims are read narrowly to give maximum effect to the presumption of validity,<sup>173</sup> which simultaneously maximizes the likelihood of a patent’s validity and minimizes the likelihood of infringement (because it is less likely, under a narrow reading, that a piece of prior art or a potential infringer’s product is within the claim scope of the patent). During reexamination, however, the patent “[c]laims are given ‘their broadest reasonable interpretation, consistent with the specification,’”<sup>174</sup> which maximizes the likelihood that a piece of prior art will be deemed within the scope of the claims, and consequently maximizing the risk that the cited prior art will be found to anticipate the patent and render it invalid.

The cumulative effect of the inconsistent standards of review and conflicting modes of claim construction is that “considering an issue at the district court is not equivalent to the PTO having had the opportunity to consider it.”<sup>175</sup> Further, “litigation and reexamination are distinct proceedings,

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<sup>169</sup> *Id.*

<sup>170</sup> *Id.* at 857–58.

<sup>171</sup> See Leung, *supra* note 145, at 478 (“The procedural mechanisms of reexamination facilitate a patent challenger and the PTO to collaboratively assail the patent in question.”).

<sup>172</sup> See, e.g., *Proctor & Gamble Co. v. Kraft Foods Global, Inc.*, 549 F.3d 842, 848 (Fed. Cir. 2008) (holding, in an inter partes reexamination case, that the burden to show the substantial new question of patentability is less than the burden that would be required in a trial); *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (explaining that the standard of review for reexamination is the preponderance of the evidence in an ex parte reexamination case); MPEP, *supra* note 72, § 2286 (noting that “different standards of proof and claim interpretation [are] employed by the District Courts and the [PTO]”).

<sup>173</sup> See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988). Further, if a patent under reexamination has previously been involved in litigation, the PTO is not bound to adopt the same claim construction that the court used in the earlier proceedings. See *In re Trans Tex. Holdings Corp.*, 498 F.3d 1290, 1296–98 (Fed. Cir. 2007).

<sup>174</sup> *In re Trans Tex. Holdings Corp.*, 498 F.3d at 1298 (quoting *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984)).

<sup>175</sup> *In re Swanson*, 540 F.3d at 1378.

with distinct parties, purposes, procedures, and outcomes[.]”<sup>176</sup> so “reexamination proceedings and court actions involving challenges to validity [are] distinct and independent.”<sup>177</sup> As a consequence, instead of serving as an alternative to litigation or a means to avoid or prevent litigation, full-blown litigation may still occur despite completing the reexamination process.

### *B. Reexamination as a Defense Litigation Strategy for Potential Infringers*

When given a new tool to use in patent practice, the patent attorney’s first instinct is not to consider how to best implement the legislative intent, but rather to determine how to make the best use of the tool to serve the needs of the client. Consequently, much has been written to explain to practitioners precisely how to best exploit reexamination as a litigation strategy, at the great expense of patent owners.<sup>178</sup> The main thrust of many of these articles is that “[r]eexamination is not only the best forum for a prior art-based challenge to a claim’s patentability; it can also influence other aspects of litigation in a defendant’s favor.”<sup>179</sup> Most of these uses of reexamination appear legitimate on their face, but carry the potential of extreme harm to patent owners even when seemingly applied innocently.<sup>180</sup>

First, the mere threat of reexamination can effectively induce the patent owner to settle.<sup>181</sup> At first glance, this appears completely legitimate, because settlement is generally favorable as compared to the time and expense of a lawsuit. However, given that both the patentee and the potential infringer know perfectly well that the request for reexamination will almost assuredly be

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<sup>176</sup> *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985).

<sup>177</sup> *Id.*

<sup>178</sup> See, e.g., Leung, *supra* note 145, at 477 (championing the use of inter partes reexamination to “enable a weaker party . . . to defend against a superior opponent more effectively”); McCombs & O’Dell, *supra* note 146, at 19–42 (providing a variety of strategies for reexamination use); Gregory V. Novak, *Concurrent Reexaminations as a Strategic Patent Litigation Defense Tool*, in PATENT LITIGATION 2009, at 661, 669–81 (PLI Intellectual Prop., Course Handbook Ser. No. G-982, 2009) (detailing the advantages of reexamination for an infringement defendant); O’Dell, McCombs & Nickols, *supra* note 5, at 18–40 (offering various recommendations for when reexamination is advantageous); Smith, *supra* note 111, at 58–67 (weighing the pros and cons for requesting reexamination at various points in litigation). The strategies offered are complex, and the specific details are beyond the scope of this Note.

<sup>179</sup> Novak, *supra* note 178, at 669.

<sup>180</sup> See Mercado, *supra* note 3, at 106–07 (suggesting that the balance of negotiating power is held squarely by the requester, leaving the patent owner comparatively powerless).

<sup>181</sup> See Novak, *supra* note 178, at 669–71. “In many of the [cases where the author threatens to file a reexamination], the reexaminations are a driving force to either reduce the settlement figure or to induce settlement.” *Id.* at 670. This tactic is sometimes referred to as the use of a “pocket reexamination,” where a potential infringer faced with a suit goes so far as to draft, but not file, a reexamination request. See Ladd & Perry, *supra* note 127.

granted—thanks to the low threshold of the substantial new question of patentability—the patent owner may feel compelled to settle even if she feels the patent would stand on the merits, simply because she cannot afford to sacrifice years of potential patent life awaiting the outcome.<sup>182</sup> A cloud of uncertainty veils the patent during the pendency of the reexamination proceedings, “severely undermining the inventor’s opportunity to enforce, sell, license, or otherwise benefit from his property rights.”<sup>183</sup> This concern is not isolated to the small inventor, as the specter of reexamination can also adversely affect a company’s stock prices.<sup>184</sup> Further, the public nature of the reexamination procedure may alert other interested parties (such as current or potential licensees) to potential weaknesses in the patent, thereby affecting the patent owner’s ability to negotiate effectively.<sup>185</sup>

Another reason a patent challenger may choose to file a concurrent reexamination request is to attempt to procure a stay of litigation, delaying the judicial proceedings and potential damages award until the reexamination is resolved.<sup>186</sup> With respect to inter partes reexamination, the patent owner has a statutory right to a stay, unless it “would not serve the interests of justice.”<sup>187</sup> The reexamination requester is not entitled to such deference, but a stay can often be obtained nonetheless, especially if the reexamination request is filed early in the litigation, addresses all the claims, or is for inter partes reexamination.<sup>188</sup> The reprieve from litigation not only gives the requester

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<sup>182</sup> See Mercado, *supra* note 3, at 106.

<sup>183</sup> *Id.* at 108. This impact is well understood by the business world. See Lewis, *supra* note 10, at 62 (explaining, in an article directed toward business exposure to risks from intellectual property, that patents are vulnerable to invalidity claims and noting that “there have been recent amendments to the re-examination process which, it is believed, will lead to more requests for re-examination”). Additionally, this uncertainty can affect potential mergers and acquisitions, as the due diligence investigation conducted by potential buyers invariably includes a validity search to evaluate the strength of the patents to be acquired in the deal. See Sheldon Burshtein, *Intellectual Property and Technology Due Diligence in Business Transactions*, in *INTELLECTUAL PROPERTY ASSETS IN MERGERS AND ACQUISITIONS* 8.1, 8.20 (Lanning Breyer & Melvin Simensky eds., 2002).

<sup>184</sup> See Novak, *supra* note 178, at 670 (“In highly publicized litigations over pertinent patents, an Office Action rejecting claims can chase away skittish investors.”).

<sup>185</sup> See *id.*; see also MPEP, *supra* note 72, § 2232 (“Reexamination files are open to inspection by the general public by way of the . . . USPTO Internet site.”).

<sup>186</sup> See Novak, *supra* note 178, at 672–74. The use of stays and the special concerns raised with concurrent litigation and reexaminations are currently a hotly debated topic, but the specifics are beyond the scope of this Note. See, e.g., Lisa A. Dolak, *One Patent, Two Paths: Federal Circuit Review of Divergent USPTO and District Court Decisions*, LANDSLIDE, Nov./Dec. 2011, at 22, 22; Janis, *supra* note 104, at 78–86; Scott A. McKeown, *Reexamination Strategies Concurrent with Litigation*, in *REISSUE AND REEXAMINATION STRATEGIES AND TACTICS WITH CONCURRENT LITIGATION* 2011, at 113, 117 (PLI Intellectual Prop., Course Handbook Ser. No. G-1031, 2011); O’Dell, McCombs & Nickols, *supra* note 5, at 18–20; Smith, *supra* note 111, at 201–33.

<sup>187</sup> See 35 U.S.C. § 318 (2006).

<sup>188</sup> See Novak, *supra* note 178, at 672–74.



additional time to negotiate for a settlement, but also gives the alleged infringer an additional window of opportunity to design a workable, noninfringing alternative to the patent,<sup>189</sup> which reduces the patent owner's competitive advantage in the marketplace even if the patent is ultimately upheld.<sup>190</sup>

While settlement pressure and stay procurement may be considered necessary evils, or even intended consequences, of the reexamination system, other motivations for filing are less pure and likely not part of Congress's plan. For instance, reexamination can be used to stock the prosecution history of the patent with additional information in an attempt to narrow the claims through prosecution history estoppel<sup>191</sup> or to create more opportunities to allege inequitable conduct.<sup>192</sup> Or, despite the low threshold for the substantial new question of patentability, the alleged infringer can assert that the order of the reexamination procedure, regardless of the outcome, suggests a colorable doubt as to a patent's validity, and therefore precludes a finding of willful

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<sup>189</sup> See O'Dell, McCombs & Nickols, *supra* note 5, at 23.

<sup>190</sup> When patent applicants apply for patents, they sacrifice competitive advantages of secrecy and lead time in favor of the apparent safety of patent protection. See Vincenzo Denicolò & Luigi Alberto Franzoni, *Innovation, Duplication, and the Contract Theory of Patents*, in *THE ECONOMICS OF INNOVATION: INCENTIVES, COOPERATION, AND R&D POLICY* 15, 15 (Roberto Cellini & Luca Lambertini eds., 2008). Consequently, if a patent owner enduring a reexamination and stay is unable to license or otherwise benefit from the patent during the pendency of the proceedings, the patentee may lose the benefit of the patent during the time it had the most potential value. See Mercado, *supra* note 3, at 115 ("[I]t is quite possible, and in certain fast-moving industries such as the computer industry it is even likely, that a patented technology may have a very brief lifespan, entering widespread use and passing into obsolescence during the several-years-long pendency of a reexamination proceeding.").

<sup>191</sup> See Novak, *supra* note 178, at 671–72. The doctrine of "[p]rosecution history estoppel requires that the claims of a patent be interpreted in light of the proceedings in the PTO during the application process." *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 733 (2002). The basic premise is that if a patent applicant, during the prosecution of a patent, narrows a claim to overcome an examiner's rejection, the patentee is estopped from later asserting a more broad interpretation after the patent is granted. *Id.* at 733–34. This principle is equally applicable in reexamination proceedings, *see, e.g.*, *C.R. Bard, Inc. v. U.S. Surgical Corp.*, 388 F.3d 858, 866–69 (Fed. Cir. 2004), so even if the patent survives the reexamination, the scope of the claim may be significantly narrowed, *see* O'Dell, McCombs & Nickols, *supra* note 5, at 22.

<sup>192</sup> See Novak, *supra* note 178, at 680–81. As discussed in Part II, inequitable conduct may result in rendering an otherwise valid patent unenforceable if it is determined that the patent prosecutor failed to satisfy the ongoing duty to disclose during the prosecution of the patent, which extends into the reexamination proceedings. The more material the omission, the more likely inequitable conduct will be found. See Novak, *supra* note 178, at 680–81. However, this concern may be lessened by the recent *Therasense* case, which set a more forgiving materiality standard, and by the passage of the America Invents Act, which allows the patent owner to initiate "supplemental examination" to provide more opportunities for disclosure. See *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1291 (Fed. Cir. 2011) (en banc); Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 12, 125 Stat. 284, 325–27 (2011) (to be codified at 35 U.S.C. § 257).

infringement, effectively insulating the alleged infringer from potential treble damages.<sup>193</sup> Lastly, even if the patent survives, the reexamination may result in “intervening rights” for the alleged infringer, limiting the patentee’s recovery for the infringement.<sup>194</sup> Under this doctrine, if a claim in a patent survives reexamination in an amended form, and it is determined that the alleged infringer *still* infringes on the claim *despite* the amendment, the infringer can, nonetheless, avoid damages that would have accrued had the claim not been amended.<sup>195</sup> In essence, an alleged infringer can infringe a patent’s claim, file a reexamination request to compel the patentee to amend the claim at issue, *still* fall within the amended claim’s scope following the reexamination, and nonetheless evade liability for infringing activity that occurred before the amendment.<sup>196</sup>

#### V. THE AMERICA INVENTS ACT, ITS BENEFITS, AND ITS SHORTCOMINGS

While the America Invents Act is an important first step to correct many of the flaws in the current reexamination system, thereby making it a more effective *alternative* to litigation to weed out undeserving patents, the Act will do nothing to inhibit a potential infringer’s use of *ex parte* reexamination as a tool for unfair bargaining or harassment. The Act will eliminate *inter partes* reexamination and replace it with two new procedures—“*inter partes* review” and “*post-grant* review”—that will serve essentially the same intended purpose as *inter partes* reexamination but with less abuse potential.<sup>197</sup> Additionally, the Act will implement “*supplemental examination*,” a special form of reexamination request open only to patent owners which will replace the need for a patent owner to file a standard *ex parte* reexamination for any purpose,<sup>198</sup> and a “*preissuance submission by third parties*” provision, granting third parties an avenue to challenge a pending patent post-publication, but pre-issuance.<sup>199</sup>

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<sup>193</sup> See Novak, *supra* note 178, at 678. The court is statutorily permitted to “increase the damages up to three times the amount found or assessed.” 35 U.S.C. § 284 (2006).

<sup>194</sup> See Novak, *supra* note 178, at 675–77.

<sup>195</sup> *Id.* at 675. For a more in-depth explanation of the contours of the doctrine, see *id.* at 675–77.

<sup>196</sup> See *id.* at 675–77. As an extremely crude illustration, consider a patent claim that covers red, yellow, and blue balls. The alleged infringer markets a blue ball, and faced with a suit for infringement, files a reexamination request, which ultimately results in narrowing the patent claim to recover only red and blue balls. The alleged infringer may get the benefit of a decreased damages judgment even though the coverage of the infringer’s blue ball was completely unaffected by the narrowing of the claim.

<sup>197</sup> See Leahy-Smith America Invents Act § 6, 125 Stat. at 299–311 (to be codified at 35 U.S.C. §§ 311–329).

<sup>198</sup> See *id.* § 12, 125 Stat. at 325–27 (to be codified at 35 U.S.C. § 257).

<sup>199</sup> See *id.* § 8, 125 Stat. at 315–16 (to be codified at 35 U.S.C. § 122). Under current law, a third party may “*protest*” pre-issuance, but, according to the statute, “no protest or other form of pre-issuance opposition to the grant of a patent on an application may be initiated after publication of the application without the express written consent of the

No presumption of validity is afforded in any of these procedures. This Part briefly summarizes the new options for post-grant challenges to issued patents and offers an argument for the repeal of ex parte reexamination in light of the availability of superior alternatives with less abuse potential.

### A. Post-Grant Review

The new “post-grant review” provisions<sup>200</sup> will be available as an option to third-party requesters who wish to question an issued patent’s validity within nine months of issuance or reissuance.<sup>201</sup> Like the current inter partes reexamination system, the requester will be fully involved in the process, and estoppel provisions will be in play.<sup>202</sup> The permissible scope of a requester’s challenge is actually more broad than currently permitted in reexamination, as it is *not* restricted to unpatentability over prior art, but rather may encompass nearly “any ground that could be raised,” including specification defects, prior sale bars, lack of enablement, and many others.<sup>203</sup> This will allow requesters, so long as they act within nine months of the patent grant, to make almost any argument they would have made to challenge the patent in court, but without the need to overcome a presumption of validity. To minimize the risk of a drawn-out proceeding, the review must be completed within one year from its initiation, extendable by up to sixth months for good cause.<sup>204</sup> Both the

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applicant,” which basically means that the third party must have had some knowledge about the pending application to effectively file the protest. *See* 35 U.S.C. § 122(c) (2006). The current PTO regulations do, however, permit third-party submissions of prior art up to two months post-publication, but such submissions may not include any explanation of the relevance of the prior art, so the examiner must independently realize the significance of the submitted prior art for it to have any impact on the examination. *See* 37 C.F.R. § 1.99 (2011).

<sup>200</sup> Leahy-Smith America Invents Act § 6(d), 125 Stat. at 305–11 (to be codified at 35 U.S.C. §§ 321–329).

<sup>201</sup> *See id.* § 6(d), 125 Stat. at 306 (to be codified at 35 U.S.C. § 321(c)). Subject to an eight-year sunset provision, the nine-month time limit for filing is removed, and some other burdens are lessened, for the use of post-grant review to challenge “covered business method patent[s].” *See id.* § 18, 125 Stat. at 329–31 (to be codified at 35 U.S.C. § 321); *see also* Gordon & Perry, *supra* note 96.

<sup>202</sup> *See* Leahy-Smith America Invents Act § 6(d), 125 Stat. at 307–09 (to be codified at 35 U.S.C. §§ 325–326). However, a requester can avoid estoppel if there is a timely settlement with the patent owner. *See* Eldora L. Ellison & Deborah Sterling, *Impact of the America Invents Act on Patent Challenges at the USPTO*, WORLD INTELL. PROP. REV. Nov./Dec. 2011, at 36, 38.

<sup>203</sup> *See* Leahy-Smith America Invents Act § 6(d), 125 Stat. at 309 (to be codified at 35 U.S.C. § 321(b)); Gordon & Perry, *supra* note 96.

<sup>204</sup> *See* Leahy-Smith America Invents Act § 6(d), 125 Stat. at 306 (to be codified at 35 U.S.C. § 326(a)(11)); Gordon & Perry, *supra* note 96.

requester and the patent owner will have the right to appeal the outcome of the review.<sup>205</sup>

The initiation of post-grant review will depart from the current reexamination system in two key respects that will greatly minimize its potential for abuse. First, in place of the “substantial new question of patentability” standard to initiate the process, the PTO will initiate review if one of two standards are met: 1) “it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable,”<sup>206</sup> or 2) “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.”<sup>207</sup> Second, the patent owner has “the right to file a preliminary response to the petition . . . that sets forth reasons why no post-grant review should be instituted based upon the failure of the petition to meet any requirement of this chapter.”<sup>208</sup> These crucial provisions should eliminate the most basic inequity of the current reexamination system—the patentee’s total lack of power to prevent its initiation.

The post-grant review provisions also minimize the potentiality of concurrent litigation and clarify the rules that will be in play with respect to stays. At the outset, “[a] post-grant review may not be instituted . . . if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.”<sup>209</sup> If, instead, the requester petitions for post-grant review *first* and then brings suit, then “that civil action shall be automatically stayed until either” the *patent owner* requests it to be lifted, the *patent owner* brings suit against the requester (or a real party in interest), or the action is dismissed.<sup>210</sup> However, a patent owner will still be subject to potential concurrent proceedings if the post-grant review was filed in response to an infringement action against the

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<sup>205</sup> See Leahy-Smith America Invents Act § 6(d), 125 Stat. at 311 (to be codified at 35 U.S.C. § 329).

<sup>206</sup> *Id.* § 6(d), 125 Stat. at 306 (to be codified at 35 U.S.C. § 324(a)). The Act also adopts the “more likely than not standard” for new inter partes reexaminations filed after the Act’s enactment. See *id.* § 6(c)(3)(B)(ii), 125 Stat. at 305 (to be codified at 35 U.S.C. § 312 note). Notably, as this standard has not yet been tested in the PTO or the courts, it is yet to be seen if the change in the statutory language will, in practice, make this test significantly more difficult to meet. See Ellison & Sterling, *supra* note 202, at 38; Michael V. Messinger, Jon E. Wright & Eldora L. Ellison, *Patent Litigation at the PTO Under the America Invents Act of 2011*, 82 Pat. Trademark & Copyright J. (BNA) No. 2032, at 709, 712 (Sept. 23, 2011) (“Whether [the new standards] prove to be more significant gatekeepers than the prior [substantial new question] standard will be largely determined by the office’s interpretation of these two new standards.”).

<sup>207</sup> See Leahy-Smith America Invents Act § 6(d), 125 Stat. at 307 (to be codified at 35 U.S.C. § 324(b)).

<sup>208</sup> *Id.* § 6(d), 125 Stat. at 306 (to be codified at 35 U.S.C. § 323).

<sup>209</sup> *Id.* § 6(d), 125 Stat. at 307 (to be codified at 35 U.S.C. § 325(a)(1)).

<sup>210</sup> See *id.* § 6(d), 125 Stat. at 306 (to be codified at 35 U.S.C. § 325(a)(2)).

requester—a counterclaim in such a suit does not trigger the automatic stay.<sup>211</sup> The practical consequence of these provisions is that they force a potential challenger to make a definitive strategic choice in favor of litigation *or* administrative review before taking any action against the patent owner, removing the unused card from the table.

### B. *Inter Partes* Review

Inter partes review is available to requesters seeking to challenge patent validity after the nine-month window for filing post-grant review has closed.<sup>212</sup> The basic workings of inter partes review are largely identical to post-grant review with respect to the content of the request, stays, estoppel, and appeal,<sup>213</sup> but three differences are worth specific mention here.

First, and most importantly, an inter partes review request may challenge a patent “only on a ground that could be raised under [the novelty and nonobviousness provisions] and only on the basis of prior art consisting of patents or printed publications.”<sup>214</sup> This brings inter partes review back in line with traditional reexamination proceedings, and it is an important limitation: while the expanded post-grant review option serves as a good catch-all mechanism to give interested third parties an opportunity to point out examiner oversights concerning all aspects of the original examination without imposing a presumption of validity, the reversion to traditional reexamination grounds for inter partes review strikes a balance to solidify the legitimacy of the patent after nine months have passed.

Second, the standard the requester must meet to initiate the proceeding is slightly different between the two formats. Unlike post-grant review, the presentation of a “novel or unsettled legal question”<sup>215</sup> is not a valid ground for granting inter partes review. Further, the post-grant review standard of “more likely than not . . . unpatentable”<sup>216</sup> mysteriously transforms into a requirement to “show[] that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”<sup>217</sup> While the

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<sup>211</sup> See *id.* § 6(d), 125 Stat. at 307 (to be codified at 35 U.S.C. § 325(a)(3)); Ellison & Sterling, *supra* note 202, at 39. This is not too large of a concern, however, as the increased burdens on the requester to present a meritorious argument to the PTO should be sufficient to prevent bullying of the patent owner into settlement through mere threat of filing a post-grant review.

<sup>212</sup> See Leahy-Smith America Invents Act § 6(a), 125 Stat. at 299 (to be codified at 35 U.S.C. § 311(c)). The request may not be filed until the later of nine months after patent issuance or the completion of a pending post-grant review. *Id.*

<sup>213</sup> See Messinger, Wright & Ellison, *supra* note 206, at 710–12 (providing a table to compare the post-grant review and inter partes review provisions).

<sup>214</sup> See Leahy-Smith America Invents Act § 6(a), 125 Stat. at 299 (to be codified at 35 U.S.C. § 311(b)).

<sup>215</sup> *Id.* § 6(d), 125 Stat. at 306 (to be codified at 35 U.S.C. § 324(a)).

<sup>216</sup> *Id.*

<sup>217</sup> See *id.* § 6(a), 125 Stat. at 300 (to be codified at 35 U.S.C. § 314(a)).

two formulations appear to have the same or similar meanings on their face, it is yet to be seen how the PTO and the courts will interpret the difference in word choice.

Lastly, with respect to concurrent proceedings, “[a]n inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner . . . is served with a complaint alleging infringement of the patent.”<sup>218</sup> This means that an alleged infringer may not strategically sit on his power to initiate inter partes review and attempt to use it as a life preserver to secure settlement if the patent owner appears to be winning the lawsuit; rather, the potential requester must decide during the early stages of the litigation whether administrative proceedings (assuming the litigation is stayed) would provide a greater chance of success against the patentee.

### C. Supplemental Examination

Supplemental examination is an alternative to ex parte reexamination available only to patent owners.<sup>219</sup> The traditional substantial new question of patentability threshold is in play,<sup>220</sup> but this is not a hardship for the patent owner, because she is the only one who can *request* the proceeding.<sup>221</sup> In addition to the limited strategic reasons a patent owner would have previously initiated reexamination, namely to preemptively submit unconsidered prior art in the face of an anticipated validity challenge,<sup>222</sup> supplemental examination will be able to cleanse a variety of prosecutorial errors in disclosure, whether they occurred inadvertently or negligently (but not fraudulently), potentially protecting the patentee from a finding of inequitable conduct.<sup>223</sup> Considering the severity of an inequitable conduct finding, this safe harbor will certainly be attractive to those who discover their mistakes post-issuance.

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<sup>218</sup> Leahy-Smith America Invents Act § 6(a), 125 Stat. at 301 (to be codified at 35 U.S.C. § 315(b)). A similar provision is not necessary for post-grant review because filing post-grant review is already temporally limited to nine months from patent issuance. *See id.* § 6(d), 125 Stat. at 306 (to be codified at 35 U.S.C. § 321(c)).

<sup>219</sup> *See id.* § 12(a), 125 Stat. at 325 (to be codified at 35 U.S.C. § 257(a)).

<sup>220</sup> *See id.*

<sup>221</sup> This is not to say that there are no risks involved; the supplemental reexamination could still lead to the invalidation of some or all of the claims, as could any reexamination.

<sup>222</sup> *See supra* note 127.

<sup>223</sup> *See* Leahy-Smith America Invents Act § 12(a), 125 Stat. at 326 (to be codified at 35 U.S.C. § 257(c)) (“A patent shall not be held unenforceable on the basis of conduct relating to [undisclosed, inadequately disclosed, or incorrect] information . . . if the information was considered, reconsidered, or corrected during a supplemental examination of the patent.”); Messinger, Wright & Ellison, *supra* note 206, at 712. However, supplemental examination will be unavailable to cure defects after the patentee is formally accused of inequitable conduct. *See* Ladd & Perry, *supra* note 127.

#### D. *Argument for the Repeal of Ex Parte Reexamination*

Once the America Invents Act is fully in force, ex parte reexamination, essentially intact,<sup>224</sup> will be the vermiform appendix<sup>225</sup> of the patent system: it will serve no particularly useful purpose, yet carry the potential to inflict massive harm to the patentee.<sup>226</sup> While the new post-grant review and inter partes review procedures carry the potential to serve as viable alternatives to litigation, their use will remain limited so long as the infringer-biased ex parte reexamination system continues to provide patent challengers with unchecked leveraging power over patent owners.

The abuse potential of the current ex parte reexamination system stems largely from the lack of accountability on the part of the requester,<sup>227</sup> and the America Invents Act does nothing to remedy the situation. The ex parte requester still owes no explicit duty of candor, has no duty to disclose, is not estopped from repeated filings, and may remain anonymous. Therefore, any requester (even one currently involved in litigation with the patent owner) will still have the power to circumvent the safeguards of the Act by choosing the ex parte route and irrevocably<sup>228</sup> initiating a potentially damaging proceeding against a patent owner, based on the old substantial new question standard and without affording the patent owner any power to challenge it. The pocket reexamination strategy<sup>229</sup> is still needlessly intact: an accused infringer can still hastily put together the necessary materials to establish a substantial new question of patentability, contact the patentee, and threaten to file, all with the goal of obtaining a favorable settlement. Then, if the patent owner does not bite, the requester can simply file the request and walk away, leaving the patent

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<sup>224</sup> See Messinger, Wright & Ellison, *supra* note 206, at 712 (“[T]he proceedings for ex parte reexamination, which have been around since the early 1980s remain largely unchanged [by the America Invents Act]. Any party, at any time, may still request traditional ex parte reexamination.”).

<sup>225</sup> See *Picture of the Appendix*, WEBMD.COM, <http://www.webmd.com/digestive-disorders/picture-of-the-appendix> (last visited Feb. 18, 2012) (“The function of the appendix is unknown. . . . [Some] experts believe the appendix is just a useless remnant from our evolutionary past. Surgical removal of the appendix causes no observable health problems.”); *Appendicitis*, WEBMD.COM, <http://www.webmd.com/digestive-disorders/digestive-diseases-appendicitis> (last visited Feb. 18, 2012) (“Appendicitis is an inflammation of the appendix. . . . Left untreated, an inflamed appendix will eventually burst, or perforate, spilling infectious materials into the abdominal cavity. This can lead to [a condition] that can be fatal unless it is treated quickly with strong antibiotics.”).

<sup>226</sup> See *supra* Part IV.

<sup>227</sup> See Mercado, *supra* note 3, at 111 (citing examples of deliberate misconduct on the part of third-party requesters, including “withholding or misrepresentation of material information concerning the date and public accessibility of purported prior art; alterations of drawings and figures contained in prior art; deliberate mistranslation of foreign prior art; and false statements as to the contents of prior art” (footnotes omitted)).

<sup>228</sup> See *id.* at 112–13.

<sup>229</sup> See *supra* note 181.

owner to deal with the headache of reexamination proceedings on her own for the next few years.

Against this backdrop, the benefits of maintaining the *ex parte* system do not justify its continued existence, at least in its current form. Consider the two historically legitimate uses of *ex parte* reexamination: First, the procedure is useful for patent owners who wished to take the calculated risk of reexamination to potentially strengthen their own patents by exposing them to prior art without the shelter of a presumption of validity. Second, the procedure allows a small business (perhaps a licensee) or an individual inventor to anonymously challenge the validity of a questionable patent without incurring the direct wrath of the patent owner.<sup>230</sup> The America Invents Act adequately addresses the first legitimate use through the new supplemental examination procedure. The second legitimate use is trickier to preserve, but the implementation of the “preissuance submissions by third parties” provision will give anonymous third parties with knowledge of a pending patent an opportunity to challenge a pending application post-publication, but pre-issuance.<sup>231</sup> As an alternative, a replacement procedure could be implemented for anonymous requesters with a standard that mirrors the “more likely than not” or “reasonable likelihood that the petitioner would prevail” threshold of the new *inter partes* procedures instead of the substantial new question, and the patent owner could be granted the right to respond before the order of reexamination.

By eliminating *ex parte* reexamination as an option and forcing potential requesters to take the appropriate *inter partes* routes, the playing field would be leveled a bit more between requesters and the patentees. A third party would still be able to leverage the threat of a reexamination to try to compel a settlement or other concessions from the patent owner to a limited extent, but if the patent owner opted to call the bluff, the patentee would have the opportunity to challenge the reexamination, and the potential requester would need to take the time to truly consider the repercussions (estoppel) of the choice.

## VI. CONCLUSION

The solution to the *ex parte* reexamination problem requires striking a delicate balance between placing procedural safeguards to preserve the rights of the good faith patentee and ensuring that error correction mechanisms are in place to revoke patents which should not have survived the initial examination process, while maintaining investor confidence in the patent system as a whole. Overprotect the questionable patent and innovation is shackled by illegitimate patent monopolies. Over-scrutinize the legitimate patent and the product of the

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<sup>230</sup> See Leung, *supra* note 145, at 480 (“Small businesses and independent inventors who could not afford astronomical attorney fees were at the patent owners’ mercy.”).

<sup>231</sup> See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 8, 125 Stat. 284, 315–16 (2011) (to be codified at 35 U.S.C. § 122).



examination system is nothing more than an illusory promise of a property right. Through the inter partes reexamination reforms of the America Invents Act, Congress started the trek toward the goal by devising measures to impose accountability on the part of the third-party requester who opted into the system. Now, to finish the task, all Congress must do is make the assumption of those measures mandatory for all third-party requesters and eliminate ex parte reexamination.

